EXHIBIT 43 (PART 1 OF 2)



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CERTIFICATE OF ACCURACY

This is to certify that the attached document, "IRI-CRT-00002041 – IRI-CRT-0002105", originally written in *Chinese*, is to the best of our knowledge and belief, a true, accurate and complete translation into *English*.

Dated: December 17, 2018

Seth Wargo

Consortra Translations

Sworn to and signed before ME this day of December,

2018. .

Notary Public

JAMES G MAMERA
Notary Public - State of New York
No. 01MA6157195
Qualified in New York County
My Commission Expires Dec. 4, 2022

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IRICO Group Corporation

Master Plan for Separating Principal and Secondary Businesses, Restructuring and Redistribution

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IRICO Group Corporation

Master Plan for Separating Principal and Secondary businesses, Restructuring and Redistribution

Section 1: Basic status of IRICO Group Corporation

I. Brief introduction of IRICO Group Corporation

(I) History

IRICO Group Corporation is a unique super-large state-owned sole proprietorship approved by the State Council and is directly managed by the State-owned Assets Supervision and Administration Commission of the State Council. IRICO Group Corporation was reorganized on the basis of the former IRICO Electronics Group, whose predecessor was the Shaanxi CRT Head Manufacturing Plant, which was a key project incorporated in the 6th Five-Year Plan and the place where China's first CRT was manufactured.

(II) Assets and operation of the Group Corporation

1 Assets

As of 31 December 2002, IRICO Group Corporation's audited assets were RMB7,643,448,360.88 with total liabilities in amount of RMB3,569,855,181.88 and owner's equity in amount of RMB3,183,341,699.29.

2. Operation

CRT is the principal business of IRICO Group Corporation with annual CRT production capacity of nearly 10 million units. The Company has manufactured 78,530,000 CRT units from the date of production since its establishment with accumulated revenue from product sale in amount of RMB64.3 billion, realizing profit and tax in amount of RMB8.128 billion and earning foreign currencies in amount of RMB0.94 billion from exports.

(III) Employees

Currently, IRICO Group Corporation has 21410 employees of whom 10800 have full-time capacity (i.e. permanent employees or known as permanent employees) and more than 10000 are employed on short-term contracts. There are 1110 managers of various fields and 1579 engineering technicians of various disciplines.

(IV) Investment structure and backbone enterprises

Currently, IRICO Group Corporation has more than 20 wholly-owned subsidiaries, holding

companies and stake-participating companies (See Attachment 1: Organizational structure chart of IRICO Group Corporation for details), of which IRICO CRT Head Plant and IRICO Display Device Company Limited (a listed company) are the main backbone companies of IRICO Group Corporation.

IRICO CRT Head Plant

IRICO CRT Head Plant is a company wholly-owned by the people established in 1979 with approval from the Shaanxi Administration for Industry & Commerce, and is a wholly-owned subsidiary of IRICO Group Corporation. Ten non-legal person entities, including the CRT Plant No. 1 under the Head Plant, are set up for independent internal auditing. The financial statements of the said entities are incorporated into the Head Plant's financial statements.

As of 31 December 2002, its total assets was RMB3,888,437,572.68 with liabilities in amount of RMB2,111,671,712.81 and owner's equity in amount of RMB1,776,765,859.87.

IRICO Display Device Company Limited

IRICO Display Device Company Limited was established on 29 July 1992, the Company listed its shares on the Shanghai Stock Exchange on 20 May 1996. Currently, IRICO Group Corporation holds 56.14% stakes in IRICO Display Device Company Limited.

The Company's primary products include 64cmFS and 54cmFS ordinary display device and 64cmPF ~ 74cmPF flat CRT. It mainly engages in the research & development, production and operation of CRT.

As at 31 December 2002, the Company's total assets was RMB2,401,187,451.43, with total liabilities in amount of RMB740,126,713.15, and owners' equity in amount of RMB1,661,060,738.28.

II. Development of principal business of IRICO Group Corporation

(I) IRICO Group Corporation's exploration and practice in promoting principal business, downsizing main establishment and increasing competitiveness of principal business

1. Measures and main practices adopted

- (I) IRICO set up the Three Productions Department in 1993 and established the IRICO Three Productions Corporation in 1994 by further restructuring it into an independent corporate legal person. Some supporting systems for the principal business were separated from functions of the logistics services entities, this is the main way and form through which IRICO Group Corporation separates the principal and secondary businesses and replace redundant employee in recent years.
- (2) In 1998, the television plant in Inner Mongolia was returned to the original place. The 6 entities in Beijing were separated so as to totally disconnect asset and management from IRICO. The businesses of these entities are not closely associated with IRICO Group Corporation's principal business. The separation is advantageous for promotion of the principal business and downsizing main establishment.

- (3) In 1999, IRICO Display Device Company Limited acquired and merged CRT Plant No. 2. This has achieved economies of scale and further increase competitiveness of the principal business.
- (4) In 2002, the fluorescent powder plant and deflection yoke plant were sold to Xi'an IRICO Fluorescent Material Co., Ltd and Xi'an Information Company. The scale was expanded and capacity to compete in the market was increased as a result.
- (5) In 2002, the internal market mock plan and internal price settlement methods were implemented and succeeded in strengthening market awareness of all production entities.
- (6) In 1992, the skill-based wage system was implemented with continuous improvement made. Not only did it save costs of human resources, but it also paved the way to intensify three system reformations for the principal business.
- (7) Efforts were made to develop new display models as a way to solve the issues regarding the Group Corporation's subsequent development, such as producing the organic EL jointly with related scientific research institutions and pilot production of PDP products, etc.
- (8) Greater efforts were made in scientific research institutes and employee development and more investments were made in the Group Corporation's technical centers. On one hand, these have increased the capacity to closely trace development of components of new CRT model; on the other hand, existing techniques were transformed through a series of technical transformation and technical measures making contributions to exploration of potentials of the principal business and increase efficiency.

In response to needs arising from competition, IRICO Group Corporation restructured the production elements, promoted shifting of internal mechanisms and strengthened R&D capacity through the said measures to progressively know the path of the principal business development and strengthen its competitiveness.

2. Achievements attained

Implementation of the said measures and practices brought remarkable achievements. All economic indicators of IRICO showed stable growth. In 2002, the CRT output of 9.6 million units set historical record. The glass shell output was 16.51 million units, electronic gun output was 10.38 million units, deflecting coil output was 10.60 million units, fluorescent powder output was 360 tonnes and shadow mask output was 4.89 million units. In 2002, the Company earned sales income of RMB7.1 billion representing 20.21% growth year-on-year. The total industrial output was RMB12.23 billion representing 34% growth year-on-year. Industrial added value of RMB2.58 billion was fulfilled representing 15.8% growth year-on-year. Profit tax of RMB0.87 billion was realized representing 31.8% growth year-on-year. In 2002, total profit of RMB 455,873,145.97 was realized representing 58% growth year-on-year. Foreign currency in amount of USD0.134 billion was realized through exports representing 30% growth year-on-year.

(II) Basic information of policies on redistributing employees, downsizing for higher efficiency and replacing redundant employees

1. Main measures and main practices adopted

- (1) To realize downsizing for higher efficiency through skill improvement measures.
- (2) To actively attract social capitals and foreign investments leveraging advantaged resources and products. Joint ventures were set up besides participating in setting up independent legal person entities including Xi'an IRICO Information Co., Ltd, Xianyang IRICO Electronic Components Co. Ltd, Shaanxi IRICO Fluorescent Material Co., Ltd and Xianyang Caiqin Electronics Device Co., Ltd. which absorbed a large number of redundant employees.
- (3) The Three Productions Corporation was established to which logistics services, social services, properties and training departments were transferred for replacing redistributed employees of the principal business. This has promoted independent auditing of the said departments, turning services to business operations, and marketize progressively with great success achieved. In the last 9 years, more than 1500 redundant employees from the principal business have been placed to the Three Productions Corporation.
- (4) To make use of related policies of Shaanxi province and Xi'an city to redistribute and replace employees of Xi'an IRICO Electrical Appliance Co., Ltd. More than 400 employees have been redistributed and replaced to date.
- (5) The companies under the Group Corporation increase labor productivity rate and enhance efficiency through reducing number of employees by exploring their own potentials, transformation and downsizing.
- (6) To redistribute and replace employees according to national policies on internal retirement. As of 31 December 2003, more than 200 employees of the Group Corporation have internally retired.
- (7) The IRICO Group Corporation and its subsidiary entities step up management and have terminated employment contracts pursuant to the law with a few employees who severely breached the employment contracts. More than 400 employees have been dismissed from late 1995 until now.

2. Achievements attained

Through said measures, IRICO Group Corporation has placed more than 4000 redundant employees designated for redistribution, representing 20% of the total employees of the Group Corporation. This contributed to downsizing of the Group Corporation's main establishment and serves as an effective cushion for further separation of the principle and secondary businesses. When the IRICO Group Corporation first established the plant, annual CRT output was approximately 960000 units with approximately 6000 employees. Currently, the IRICO Group Corporation has annual CRT output as high as 10 million units with only 13000 employees engage in the manufacture of CRT. This reflects a significant increase in the Group Corporation's labor productivity rate.

(III) Main problems faced by IRICO Group Corporation in principal business development

1. State-owned sole proprietorship of IRICO Group Corporation poses serious restrictions on continuous development of the principal business

Data from 2002 shows that there were 9 foreign-invested companies or joint ventures engaging in the manufacture of CRT in China with another two domestic joint-stock enterprises; IRICO Group Corporation was the only state-owned enterprise. In the face of intensive competition, the impact of ownership system is growing, making IRICO Group Corporation lag behind its competitors due to its structure alone.

2. Strategic management function of IRICO Group Corporation is yet to play its role.

This is manifested in prolonged absence of clear strategic positioning and development plans with significant poor market research and development capacities. No market-oriented operation management system has been developed by now and the management model is mostly the old model adopted for plant management. All production entities of the principal business attach weight to production management paying little attention to business management. Many operators concentrate on business affairs and the parent-subsidiary management system with property rights as the link is yet to be formulated, etc.

3. Unreasonable human resource composition with serious shortage of senior management and operation talents; generally high wage costs; intensification of labor, personnel and allocation system reform is highly needed.

Currently, the Group Corporation human resource composition is unreasonable. There is sufficient production management and engineering technicians but serious shortage of senior management and operation talents, especially those in information management, international sales, capital operation and risk control. In the meantime, leadership team of the IRICO Group Corporation is unable to meet the needs of further development and expansion in terms of ideologies, concepts, comprehensive quality and knowledge structure.

Employees remain hired once they are employed with only upward but no downward adjustments to their salaries. The high income of non-marketization greatly increases IRICO Group Corporation's management and labor costs, thus indirectly weakening its competitiveness.

The existence of the said issues is closely associated with ineffective personnel, labor and allocation systems of the Group Corporation, and it is only through continuous intensification of reform to these three systems that these issues can be genuinely solved.

4. Failure to concentrate on principal business and heavy establishment form heavy burden to the company.

IRICO Group Corporation's scope of operation is too broad due to reasons including the absence of clear corporate development strategies and failure to concentrate on principal business. Besides, the companies which engage in the principal and secondary businesses have heavy social burden – a problem which has not been eradicated.

In conclusion, the said issues regarding ownership system, management, internal mechanisms, human resource and lack of clear-cut boundary between principal and secondary businesses and heavy social burden are all factors which restrict development of IRICO Group Corporation's principal business. Of them, ownership system, human resource and lack of clear-cut boundary between principal and secondary businesses are issues which pose the greatest restrictions on development of the principal business so priority should be given to solve them.

(IV) Problems in redistributing and replacing redundant employees

In redistributing and replacing redundant employees who engage in the principal business, IRICO Group Corporation is still facing some special problems which affect the continuation of such task to a considerable extent. This is mainly manifested as follows:

1. Restrictions of the overall socio-economic environment

Xianyang, where IRICO Group Corporation's main enterprise and great majority of the employees are situated, lies in the western part of China where socio-economic development is backward with relatively low societal demand for labor resources, limited market capacity and relatively high rate of unemployment. Therefore, the redistribution and replacement of redundant employees and downsizing for greater efficiency is met with great difficulties.

2. Conservative mind of employees

Being relatively closed and detached for decades, the Company has become a relatively closed and detached industrial city where the employees are relatively traditional-minded and poor in adapting to economic evolution. Such conservation ideology forms a great hurdle to reforms;

3. Restraints imposed by old modes of redistribution and replacement of redundant employees

The old model failed to simultaneously establish correspondingly sound employment contract system when redistributing and replacing redundant employees. Most of the redistributed and replaced employees still stay in the IRICO Group Corporation or Head Plant and are put under management through a model identical with the old model for management of permanent employees. As a result: labor relationship and capacities of employees remain unchanged, and no changes took place in the employees' concept of employment. The separation is only nominal and the Company has not been genuinely released from its unlimited joint liabilities.

In addition, the entities which accept the redundant employees from principal business failed to establish sound legal person governance structure, no change took place in property rights relationship and superior-subordinate relationship at all, thus limiting development of these entities.

Under such circumstances, clear-cut and standard property rights relationship and superior-subordinate relationship can hardly be achieved.

(V) IRICO Group Corporation's ideas and targets for downsizing main establishment and increasing competitiveness of principal business

The IRICO Group Corporation's specific idea or plan for downsizing main establishment and increasing competitiveness of principal business are as follows:

1. Ideology of reformation and development of principal business

- (1) To continue with intensifying reform of property rights and implement standard corporate transformation to the principal business.
 - (2) To improve mid- and long-term development strategies of IRICO Group Corporation.

- (3) To determine positioning and functions of the Group Corporation, and formulate and improve parent-subsidiary management system.
- (4) To shift IRICO Group Corporation's basic governance system of principal business from production management to operation management and strategy management.
- (5) To pursue low-cost development by applying the strategy of overall cost leadership to traditional industry and products.
- (6) To apply related diversification strategies in new-type display devices, strengthen scientific research and development capacities, increase the ability to track new products and new technologies in new-type display device so as to support the Group Corporation's structural adjustments in the industry and products.
- (7) To optimize the existing internal organizational structure and functions, and reform the personnel, labor and allocation systems on such basis.
 - (8) To continue with development of corporate cultural system including corporate leadership culture.
- (9) To separate social functions from corporate offices and separate principal and secondary businesses to ease the principal business's burden.

In conclusion, IRICO Group Corporation's overall idea for development is: To develop core competitiveness based on overall-cost leadership under guidance of accurate development strategies and bring into play the Group Corporation's strategic management function for comprehensive restructuring and transformation of the Group Corporation's property rights system, management system, internal mechanisms and corporate culture, etc. and strengthen competitiveness of principal business; separate principal and secondary businesses and clarify principal business to ease the burden. In the meantime, step up transformation and innovation of existing products through scientific research besides optimizing product mix, and prepare the Group Corporation for timely entrance into the field of new-type display device and fulfil structural adjustments of the industry.

2. Target of planning

The eventual target is: By 2010, not only shall the Group Corporation enjoy remarkable advantage in the traditional CPT field but it also leads in the traditional CRT industry; it shall also boast product R&D capacities or the capacity for joint production with multinational companies and become the display manufacturer and R&D base with diversified products offered, large-scale operation, modern management and ability to compete internationally as a world-renowned group corporation to lay solid foundation for attaining the vision of 'hundred-year IRICO'.

Section II: General status of IRICO Group Corporation Plan for Separating Principal and Secondary Businesses,

Restructuring and Redistribution

Section I Separating Principal and Secondary Businesses

I. Basis for separating principal and secondary businesses and their respective scopes

- (I) Basis for separating principal and secondary businesses
- 1. The corporate strategic positioning and development plans formulated by the IRICO Group Corporation in 2003 are the most important and most basic foundation for determining the line separating principal and secondary businesses
 - (1) IRICO Group Corporation's strategic position and development planning
 - I. Industry and product positioning
 - IRICO Group Corporation's industry and product positioning is the existing CPT product field.
 - 2. IRICO Group Corporation's development strategies
 - (1) Development strategies and mid- and long-term planning

IRICO Group Corporation's overall development strategies are: To carry out the basic competitive strategy of overall cost leadership in the field of traditional CPT products for developing lowest-cost core competitiveness and laying the foundation for fulfilling large-scale operation so as to turn IRICO Group Corporation into the leader in the respective product field with the lowest overall cost and strongest competitiveness.

Besides preparing for development in the traditional CPT products, related diversified operation strategies shall also be implemented for making new-type display device as the new financial growth point and foster it as the second pillar industry. Taking into consideration that IRICO Group Corporation is not positioned to enter the new-type display device industry now, tracking strategies will be adopted actively for progressive entrance into the realm. Such strategies will be implemented in two main ways: First, to closely monitor and study new technology and new product trends in the realm of new-type display device so timely debut can be made in large scale; second, to have strategic cooperation with multinational companies by providing professional supporting services, etc. leveraging the opportunity of industrial structural adjustments and professional division of tasks of overseas display device industry. This allows the Company to progressively participate in the value chain of new-type display device for fulfilling structural adjustments of the industry and product so as to lay foundation for eventual full entry into the realm.

(2) Mid- and long-term strategic targets

By 2010, IRICO Group Corporation will develop into China's strongest and largest display manufacturer, R&D base and world-class mega corporation with international reputation boasting diversified products, large-scale operation and modern management laying solid foundation for attaining the vision of 'hundred-year IRICO.

According to IRICO Group Corporation's said strategic positioning and development plan, the existing CPT products and new-type display device are the direction for the core business and active development. In other words, it is the principal business of the Group Corporation.

(See Attachment 2: Strategic Positioning and Development Plan IRICO Group Corporation for details)

2. Some of the CRT supporting companies shall be included in the scope of principal business according to actual situations. The following factors will be considered when actually categorizing:

- (1) Supporting companies which are highly related with CRT and cannot be separated shall be included as principal business;
- (2) Supporting companies which involve high transaction or switching costs thus directly affecting competitiveness of CRTs shall be included as principal business;
- (3) Supporting companies which represent high percentage in CRT cost structure thus directly affecting competitiveness of CRTs shall be included as principal business;
- (4) Supporting companies which represent relatively high percentages in overall profit contribution or income thus greatly affecting the Group Corporation's income shall be included as principal business.

(II) Basic scopes of principal and secondary businesses

1. Basic scope of principal business

It can be determined as follows based on IRICO Group Corporation's industry and product positioning: Principal business must be associated with display device; industries and products not associated with display device cannot be included in the scope of principal business.

According to IRICO Group Corporation's strategic planning of creating the core competitiveness of overall cost leadership, it can be determined that: not all industries and products associated with display device can be included as principal business, only those display device companies and products which directly influence the Group Corporation's core competitiveness shall belong to the scope of principal business.

Taking into consideration that the Group Corporation's core competitiveness relies on overall cost leadership, which is mainly a result of resilience of the Group Corporation's overall support, the supporting companies which directly affect composition of the total cost of the Group Corporation's display device shall also be included in the basic scope of principal business.

Instead of company size and profitability, the criteria for determining basic scope of principal business is whether it is in line with the main direction of development specified in the Group Corporation's development strategies or whether it is inseparable from composition of the Group Corporation's core competitiveness.

2. Basic scope of secondary business

Businesses other than principal business belong to the broadly-defined secondary business.

Basic scope of secondary business mainly includes:

- (1) Companies which undertake social functions (such as School, Hospital, Public Security Office, IRICO Vocational University, IRICO Technical Secondary School and IRICO Technical School);
- (2) Logistic service system (mainly in the company system of Three Productions Corporation and Labor Services Company, etc.);
 - (3) Relatively highly-marketized supporting systems with lower transaction and switching costs;

- (4) Functional units equipped with conditions for outsourcing (such as some of IRICO Group Corporation's internal, non-independent legal person operational units and the Caihong Import and Export Company);
- (5) CRT-unrelated industries in which IRICO Group Corporation invests. According to IRICO Group Corporation's development strategies and structural adjustment arrangements, the industries in which the above entities engage and the products and services they provide are not in line with the Group Corporation's main development direction, they all belong to secondary services.

(III) Specific scopes of IRICO Group Corporation's principal and secondary businesses

1. Specific scope of principal business

Based on the said criteria for separating the principal and secondary businesses and taking into consideration IRICO Group Corporation's needs regarding development strategy and structural adjustment, the Managers' Office has studied and decided upon separate scopes of the existing principal and secondary businesses as follows:

(1) Products of principal business mainly include:

- 1) The production and final assembly of color display of various types and specifications;
- 2) The main spare parts and component products of color display including electronic guns, glass, deflector yokes and special parts, etc.;

(2) Principal business companies include:

- 1) CRT Plant No. 1 (CRT final assembly)
- 2) IRICO Display Devices Company Limited (CRT final assembly)
- 3) Electronic Gun Factory (Specially matched to IRICO CRT, inseparable)
- 4) Glass Factory (large proportion of the cost, high switching cost)
- 5) Power plant (inseparable)
- 6) Xi'an IRICO Information Company (large proportion of the cost and revenue, high switching cost)
- 7) Xianyang IRICO Electronic Accessories Company (Specially-supplied products, inseparable)
- 8) Zhuhai Caizhu Industrial Corporation (represents high percentage in revenue)
- 9) IRICO Kunshan Industrial Corporation (represents high percentage in revenue)

2. Specific scope of IRICO's secondary business

Businesses other than the principal business are broadly-defined secondary services. They mainly include social function entities run by the company, business entities which provide logistics services including logistics, transport,

construction, procurement, sales, import and exports, and property management to the principal business; entities which supply parts and components for color display device and are relatively highly-marketized with lower transaction and switching costs. Industries and products not associated with display device shall belong to secondary businesses. They mainly include:

(1) There are three types of social function entities:

- 1) Entities which perform government functions: Public Security Office of the Group Corporation.
- 2) Public Welfare entities: IRICO School, IRICO Hospital, IRICO Vocational University, IRICO Technical Secondary School and IRICO Technical School.
- 3) Welfare entities: IRICO Kindergarten, welfare facilities (including vehicle fleet, bowling center, swimming pool, gymnasium and property management room), property management center, customer vehicle fleet and communication station under the operation room (the said entities are all under management of the Three Productions Corporation), food store, self-help shopping mall and vehicle fleet of the Labor Services Company, etc.

(2) Operation entities which provide logistics services

The IRICO guesthouse, reception center (including travel agents), labor insurance product factories and business catering company under the Three Productions Corporation; advertising company, decoration company, Qilipu integrated market, vehicle repair plant, equipment company and landscape company under the IRICO Operation Room; and trademark factory and printer under the Labor Services Company.

- (3) Supporting production companies (Color display device parts and component companies which are relatively marketized with lower transaction and switching costs)
 - 1) IRICO Screen Plant
 - 2) IRICO Fluorescent Materials Co., Ltd
 - 3) Caiqin Electronics Co., Ltd
 - 4) Shenzhen IRICO Electronics Co., Ltd
- 5) Trailer plant, electronics packaging material plant and chemical materials plant under the Three Productions Corporation
- 6) IRICO television parts plant, plastic products plant, foam plant, purification plant, polishing plant, 818 Plant (glass recycling plant) under the Labor Services Company

(4) Functional entities with conditions for outsourcing

Internal functional entities which undertake in-house market functions such as IRICO Materials Company, IRICO Sales Company and Caihong Import and Export Company.

(5) Companies invested by the Group with little relevance to principal business

1) Wholly-owned subsidiaries of the Group Corporation

- a. Shaanxi IRICO Construction & Engineering Company and the IRICO Real Estate Development Company, IRICO Construction Supervisory Company and IRICO Construction & Engineering Design Institute under its management
 - b. Shenzhen Hongyang Industry and Trade Company
 - c. IRICO Huizhou Head Corporation
 - d. Haikou Hot Spring Hotel Co., Ltd
 - e. China Electronic Device Industrial Corporation
 - 2) Subsidiaries controlled by the Group Corporation
 - a. IRICO Hongyou Transport Company (under management of Three Productions Corporation)
 - b. Xi'an IRICO Electrical Appliance Co., Ltd
 - 3) Stake-participating companies of the Group Corporation
 - a. Beijing Quanchuang Communication Equipment Co., Ltd
 - b. Beijing Infotech Ventures Co., Ltd
 - c. Beijing Visionox Co., Ltd
 - d. Shenzhen Ruikeao Electronics Technology Development Company
 - e. Yong An Insurance Company
 - f. IRICO Packaging Plant
 - j. Shenzhen IRICO-ROYAL Electronics Information Co., Ltd.

II. Main ways to implement separation of principal and secondary businesses

(I) Ways to implement separation of principal and secondary businesses

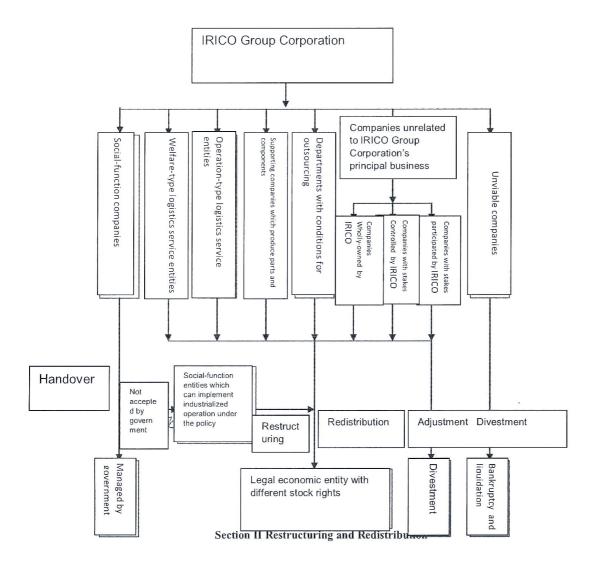
The said secondary business entities shall be separated in the following ways according to individual circumstances:

- 1. To separate social-function entities from the Company, social-function entities like IRICO School, IRICO Hospital, IRICO Group Corporation Public Security Office, IRICO Vocational University, IRICO Technical Secondary School and IRICO Technical School shall be collectively handed over to the local governments through negotiations with them on the basis of proper handling of assets, organizations and employees. For the social-function entities which the local governments are unwilling or unable to take over, if qualified under the state policies on industrialized operations, shall be subject to separation of principal and secondary businesses by ways of restructuring and redistribution.
- 2. Organizations which run their own welfare-type logistics services shall be transformed into operation-type with the free services changed into paid services. They shall be changed from purely serving the company into serving society and progressively be transformed into self-sufficient economic entities with independent auditing and responsible for their own profit and loss. Those which are equipped to survive in the market shall participate in the restructuring and redistribution.

- 3. Operation-type logistics service entities shall undergo separation of secondary businesses from principal business through restructuring and redistribution and develop into legal economic entities with diverse subjects of property right.
- 4. Small supporting production companies which are relatively highly marketized shall participate in the restructuring and redistribution based on the principle mentioned above.
- 5. Functional entities with conditions to be outsourced, meaning certain functional entities within IRICO Group Corporation: shall be developed into independent legal economic entities so they continue to provide related services to the Group Corporation as market subject.
- 6. Companies little-associated with principal business in which IRICO Group Corporation invests. Three main situations are involved:
- (1) Secondary business companies wholly-owned by IRICO Group Corporation: Those eligible ones shall participate in the restructuring and redistribution;
- (2) Secondary business companies with controlling stakes held by IRICO Group Corporation. They shall be restructured and redistributed after consent is obtained from other shareholders;
- (3) Companies with stakes participated by IRICO Group Corporation shall not participate in the restructuring and redistribution but have investments strategically adjusted according to the Group Corporation's strategic planning for progressive divestment; the funds thus obtained shall be used for development of the principal business.
- 7. Entities which have ceased operation or face other survival problems, such as Haikou Hot Spring Hotel Co., Ltd, Xi'an IRICO Electrical Appliance Industrial Co., Ltd and IRICO Hongyou Transport Company, shall undergo separation of secondary businesses from principal business through transfer, cooperation or liquidation pursuant to the law. The assets obtained shall be properly redistributed for replacement of employees of all entities on the basis of the activated existing assets.
- (II) Restructuring and redistribution are the main ways to implement separation of principal and secondary businesses.
- 1. Restructuring and redistribution method is applicable to entities whose assets are one of the three types of assets of the principal business and whose employees are redundant employees of the principal business and which can implement industrialized operations.
- 2. Entities which are not allowed by the state to have industrialized operation, such as IRICO Group Corporation Public Security Office, junior high and primary schools run by IRICO (compulsory education phase) and companies with stakes participated by IRICO Group Corporation, cannot have their secondary businesses separated from principal businesses by way of restructuring and redistribution. Secondary business entities other than those can have their secondary businesses separated from principal business by way of restructuring and redistribution.
- 3. Secondary business entities with assets as one of the three types of assets of the IRICO Group Corporation's principal business and employees as principal business redundant employees who need to be downsized and are well-positioned for market operations shall be separated from IRICO Group Corporation's principal business mainly by way of restructuring and redistribution.

In conclusion, restructuring and redistribution are the main ways for separation of principal and secondary businesses in the light of actual circumstances of IRICO Group Corporation.

Diagram: Schematic diagram of separation of principal and secondary businesses of IRICO Group Corporation



I. General concept of restructuring and redistribution

(I) General concept

(1) To restructure and create market-facing, independently audited, self-sufficient legal person economic entities (encourage becoming private-sector operations), redistribute redundant employees and eventually clarify and marketize property right relationships, labor relationships and superior-subordinate relationships making use of IRICO Group Corporation's three assets which are well-positioned for business operations. This is to lay the foundation for developing and expanding secondary businesses on the basis of downsizing the main establishment.

- (2) Restructured companies which are market-viable and operators and employees ready for restructuring shall be directly restructured into legal person economic entities controlled by non-state-owned legal person. Those ineligible can continue to be controlled by state-owned legal person but must become self-sufficient and market-facing with clear property rights and independent auditing besides working out plans and making various preparations for developing into companies controlled by non-state-owned legal person.
- (3) When carrying out said separation and restructuring, the relationship between employees, especially regular employees and entities they belong to shall be clarified according to law. Redundant employees of redistributed companies to be restructured as companies controlled by non-state-owned legal person, the former company shall dissolve employment contracts with them pursuant to the law and pay monetary compensation; the employees shall sign an employment contract with a term no less than 3 years with the restructured companies. Redundant employees of redistributed companies to be restructured as companies controlled by state-owned legal person, the former company and restructured company may change the employment contracts pursuant to state rules, the employer subject shall shift from former company into restructured company.

(II) Targets to Achieve

- 1) Companies viable for restructuring shall adjust the property rights composition and improve the corporate governance structure. Upon restructuring, unitary state-owned companies shall be transformed into non state-owned enterprise adapting the company system with diversified property rights structure. Those not viable for the time being shall also pursue diversification of property rights. In principle, state-owned shares shall not exceed 75%.
- 2) To redistribute redundant employees for optimization of labor composition. Upon completion of capacity transformation of all employees, the company may change the basis of opening position from people to operation needs. Jobs shall be opened for competition and the company's competitiveness shall be strengthened by reducing wage costs and increasing labor productivity rate.

In conclusion, secondary business entities well-positioned to survive in the market shall be restructured into market economy subjects with qualification of independent legal person pursuant to the Company Law and develop and expand amid competition. Employees should have their state-owned employee capacity changed on the basis of proper replacement so as to increase their market awareness and competitiveness.

II. Three types of assets available for restructuring and redistribution

1. Definitions and scope of the three types of assets

The bases for defining the three said assets include: (1) Definitions for content of the 'three types of assets' in Document No. 859 and the related documents; (2) Development strategies of IRICO Group Corporation and the standard and scope for determining IRICO Group Corporation's principal and secondary businesses. Specifically, all assets included in the secondary business scope are within the scope of the three types of assets; they are non-principal

business assets. Currently, IRICO Group Corporation have no effective market viable idle assets being left idle for more than 1 year, neither has the IRICO Group Corporation closed bankrupt companies for policy reasons, so there are no considerably profitable bankrupt company assets which fit with China's industrial policies.

Therefore, IRICO Group Corporation's three types of assets are its non-principal business assets which include secondary business assets, assets of logistics service entities and other assets which are little-associated with the principal business. Because some of the Company's social-function assets such as assets of Public Security Office and IRICO Group Corporation's owners' right in stake-participating companies, are not to be restructured and redistributed, they should be deleted from non-principal business assets. The remaining non-principal business assets are non-principal business assets which can participate in the restructuring and redistribution.

2. General situations of the three types of assets

(1) Main products and services involved in the three types of assets

Logistics services including company-run schools, medical services, architectural design, supervision of construction works and assembly, guesthouse reception, infant education, property management, protection of public order, and some of the production companies which provide CRT support. Also, the products and services of some companies are not associated with IRICO Group Corporation's principal business.

(2) Use and efficiency of the three types of assets

Overall efficiency of the three types of assets is relatively poor. Some of them have significantly depreciated due to market changes. Some of them belong to welfare facilities without capacity to operate as businesses. Some of them are assets to be used for IRICO Group Corporation's supporting production but they have low added value and average efficiency due to high labor cost. Also, bad assets represent a relatively high percentage in the three types of assets.

(3) Total amount of the three types of assets and their percentages in total assets

Preliminary accounting shows that non-principal business assets are in the amount of RMB1.7 billion representing approximately 23% in IRICO Group Corporation's total assets.

III. Employees involved in the restructuring and redistribution

1. Overview

The restructuring and redistribution involve 3853 redundant employees representing approximately 18% of all IRICO Group Corporation's employees and 36% of permanent employees.

2. Social security

The IRICO entities to be restructured and redistributed are participants of social coordination including pension, sickness, unemployment and housing provident fund, etc. pursuant to the rules of the country, Shaanxi Province and Xiangyang city. Socialized management has been implemented for the retired employees, no entity has defaulted in social security premium payment.

3. Debts to employees

The restructured and redistributed entities owe no debts to employees such as wage in arrears, pool fund or social security premiums.

Attached: Breakdown of IRICO Group Corporation's three types of assets and the employees involved

(As at October 2003)

No.	Type of assets involved and unit	Amount of assets (Unit: RMB)	Number of employees involved
1	IRICO Hospital	12272601	150
2	IRICO School	76102381	229
3	Training Centre	1994856	40
4	Three Productions Company (Incl. subsidiary entities)	59925425	552
5	Labor Services Company (Incl. subsidiary entities)	80510000	111
6	Construction Engineering Company	10479099	78
7	Materials Company	13234605	200
8	Sales Company	2974560	67
9	China Electronic Device Industrial Corporation	562319639	189
10	Shenzhen Hongyang Industry and Trade Company	244022127	4
11	Xi'an IRICO Electrical Appliance Industrial Co., Ltd	77999911	1373
12	Shenzhen IRICO Electronics Company	29409679	8
13	Shaanxi IRICO Fluorescent Materials Company	171093575	240
14	IRICO Electronics Screen Plant	18654057	159
15	Caiqing Electronics Company	66500336	237
16	Caihong Import and Export Company	233810376	65
17	IRICO Haikou Hot Spring Hotel	79995391	20
18	IRICO Kindergarten	(Incl. in Three Production's	112
		figures)	
19	IRICO Packaging Factory	Stake-participating company	11
20	Shenzhen Royal Information Company	Stake-participating company	8
	Total	1741298615	3853

IV. Principle for restructuring and redistribution

(1) Restructuring and redistribution requires adjustments of and integration with business, assets and establishment structures, attention should be paid to integration of resources so as to increase market viability of restructured companies.

Due to factors in such aspects as management systems and profit patterns, intensive horizontal competition and splitting of resources exist within the IRICO Group Corporation. Not only do they unnecessarily result in internal consumption, but they also prevent resource advantage to play its role thus weakening the Company's competitiveness. Therefore, both principal and secondary businesses should pay attention to restructuring of assets, employees and businesses in the process of separation of principal and secondary businesses, restructuring and redistribution.

(2) Coordinate planning, step-by-step implementation, maturity of one shall be followed by restructuring of another

To restructure assets and businesses of secondary business entities according to targets favorable to maintaining stability and increasing market competitiveness. Generally, employees shall be redistributed according to their own entities and positions. For companies with operation capacity and are viable for restructuring, IRICO Group Corporation should withdraw its state-owned stakes or only keep stake-participating status. For companies with operation capacity but not yet viable for restructuring yet, IRICO Group Corporation may temporarily maintain its share-controlling status but create conditions for withdrawal as soon as possible.

5. Primary Forms of Enterprise Restructuring and Redistribution and Arrangement of Stock Rights

(1) Types of enterprise restructuring and reposition of redundant personnel

IRICO Group Corporation will, in light of the actual conditions of the secondary business entities and in accordance with the provisions of the Company Law and other relevant laws and regulations, take full advantage of market resources and measures, gradually diversify the subjects of property rights by means of joint investment, cooperation, selling, renting, contracting, and so on, encourage the employees, operators and social investors to make investment in the enterprises subject to restructuring and redistribution, and allow the employees to convert their economic compensation into shares of the enterprises subject to restructuring and redistribution.

The primary method of restructuring and redistribution is to change the non-core enterprise into limited corporation with diversified share ownership, and most of the non-core enterprises will, directly or by two steps, be restructured into limited company with diversified share ownership, which is controlled by non-State-owned legal person.

(2) Separation of principal and secondary businesses, and arrangement of stock rights of enterprises subject to restructuring and redistribution

- 1) Any enterprise subject to restructuring and redistribution that possesses the conditions for market survival will be directly restructured into a limited company controlled by non-State-owned legal person. IRICO Group Corporation may make one-off share withdrawal of its State-owned legal-person shares or maintain a share-holding position, but in principle the shareholding ratio shall be lower than 20%.
- 2) With regard to any enterprise subject to restructuring and redistribution that does not possess conditions for market survival, IRICO Group Corporation shall make overall arrangement and withdraw its shares step by step, and in principle the shareholding ratio of IRICO Group Corporation shall be lower than 75%.
- 3) With regard to any social organization run by enterprises which the government is not willing to take over and for which industrial operations is allowed according to State policies, IRICO Group Corporation may restructure it into a corporate economic entity, and its arrangement of stock rights can refer to the model of restructured enterprises.

6. Disposal of Assets, Credits and Debts of Enterprises Subject to Restructuring and Redistribution

(I) Basic principles

- 1. To divest non-operational assets to avoid unreasonable social burdens.
- 2. To divest bad assets and idle assets to improve the quality of assets.
- 3. To make effort to bring in incremental assets. To inject incremental funds and revitalize the stock of assets, by bringing in strategic investors, operators and employees as shareholders.
- 4. To take full advantage of the three categories of assets to develop ancillary secondary businesses and make arrangements for redistributed personnel.
- 5. To comply with the principle of "assets follow business", namely, assets that are closely related to the production and operation of an entity subject to restructuring will remain in such entity so as to keep the completeness of assets and to ensure that such entity subject to restructuring has an independent and integrated business system.
- 6. To divide the credits and debts in accordance with the principle of relevance, i.e., relevance to asset, relevance to business and relevance to personnel.
 - (II) Disposal of assets, credits and debts
 - 1. Disposal of assets
 - (1) Scope of assets and basic procedures of disposal
- 1) For the purpose of this Scheme, assets included in the scope of secondary business shall refer to assets that are not principal business assets, idle assets and effective assets of close-down and bankrupt enterprises, namely the so called "Three Categories of Assets", and the amount of assets included in the scope of non-core business shall be subject to the net State-owned assets determined after assets inspection, audit and assessment. Whether to grant discount to a secondary business enterprise or relevant secondary business assets will be decided on asset quality and profitability.
 - 2) The ownership shall be straightened out for the assets possessed by the enterprises to be restructured.

With regard to an enterprise of which the ownership is not clear or disputed (such as IRICO Labor Service Company), first of all, the ownership shall be defined or the dispute over ownership shall be mediated; with regard to an enterprise of which the proof of contribution is complete but the ownership is not clear, relevant procedures shall be supplemented according to rules.

- 3) IRICO Group Corporation will take the lead and all enterprises subject to restructuring and redistribution shall cooperate during the all-around registration and inspection of various categories of assets of the enterprises subject to restructuring and redistribution, the full check of various categories of assets and credits and debts on the books, and the preparation of the balance sheet and the schedule of assets. In the inspection of assets, the inspection work shall extend to the enterprise invested in, for any long-term investments actually controlled.
- 4) With regard to any loss of assets found during inspection, including bad debt losses, inventory losses, loss from fixed assets and projects under construction, guarantee-related losses, equity investment losses, credit investment losses, losses from running the transaction of securities, futures and foreign exchanges, and other asset losses, the loss of assets shall be confirmed or written off in accordance with the relevant provisions of the Notice of the Ministry of Finance on Issuing the Interim Measures for Accounting Treatment of Enterprise Asset Losses (Cai Qi [2003] No. 233) and the Work Rules for the Determination of the Asset Losses of State-owned Enterprises promulgated by the State-owned Assets Supervision and Administration Commission of the State Council.

- 5) The result of assessment of the State-owned assets of the enterprises subject to restructuring redistribution, that is, the net State-owned assets shall, first of all, be used to make economic compensation to the personnel joining the enterprises subject to restructuring and redistribution that are controlled by non-State-owned legal person, and the standard for compensation shall be made in accordance with the document Ref. [2003] No. 21 promulgated by the State-owned Assets Supervision and Administration Commission of the State Council (hereinafter referred to as "SASAC").
- 6) The insufficient part after all reserves and payments are made as required from the net State-owned assets of any enterprise subject to restructuring and redistribution will be made up by IRICO Group Corporation; if there is surplus after all payments have been made as required from the net State-owned assets of any enterprise with large scale assets, the surplus may be sold to the personnel (including the operators) of the restructured enterprise or to outside investors, or may be kept in the restructured enterprise by means of renting, share purchase, conversion to credit, etc..
- 7) Assets that are scattered in different enterprises but in related businesses will be restructured together by IRICO Group Corporation pursuant to the market conditions in terms of business and assets, and the personnel involved will, in principle, be handled in accordance with the principle of "Personnel follows Business".
- 8) With regard to the assets that have no market prospect or of which the quality is poor, disposal shall be made in a timely manner if calculation of profit and loss can be carried out in accordance with the law. With regard to the assets that cannot be charged to profit or loss, the enterprise subject to restructuring and redistribution shall provide sufficient evidence and IRICO Group Corporation will grant preference upon study and confirmation within 10% of the assessment value; any part exceeding 10% of the assessment value shall be reported by IRICO Group Corporation to the SASAC for confirmation.
- 9) With regard to the divested assets that are not included in the scope of enterprises subject to restructuring and redistribution but are viable for operation, an enterprise legal person with independent accounting may be established and part of the redundant personnel could be arranged accordingly; with regard to the divested assets that are not eligible for operation, methods of disposal such as public sales and running under lease may be adopted, and the income obtained shall be used with priority given to situating the redundant personnel; with regard to the divested assets that fail to meet the aforesaid conditions, IRICO Group Corporation or any enterprise subject to restructuring and redistribution that is willing to accept such assets may carry out temporary management.

(2) Method and content of assets disposal

- 1) IRICO Group Corporation will divest non-business fixed assets, idle fixed assets and fixed assets to be abandoned, divest the inventory to be abandoned and the overstocking inventory, and divest the credits (including products sold on credit) that will become due after three or more years without hope for recovery.
- 2) After overall restructuring, IRICO Group Corporation will, in light of the actual situation and with as eye on the future development strategy of company, adopt multiple methods to carry out restructuring of its subordinate entities and conduct the operation in accordance with the law. IRICO Group Corporation will choose the appropriate method of restructuring according to the actual situation and characteristics of its subordinate entity, such as shareholding by employees, shareholding y operators, joint stock-holding partnership, contract operation, operation under lease, sales, etc.

3) When the net assets of a subordinate entity to be restructured are insufficient, IRICO Group Corporation may: (1) convert its credit in the entity to be restructured into net assets; (2) assume the debts that it intended to leave to the entity to be restructured; (3) transfer from other entities relevant physical assets needed by the entity to be restructured; or (4) reduce its shareholding ratio that it intends to have.

When the net assets of a subordinate entity to be restructured are more than sufficient, IRICO Group Corporation may: (1) convert some assets to leasing assets; (2) convert part of the assets into debts owed to it by the entity to be restructured; or (3) sell the entity to be restructured to social legal persons and natural persons.

(3) Disposal of bad assets and idle assets

- 1) Bad assets sorted out by IRICO Group Corporation (subject to the amount confirmed by audit), including bad credits past due by three or more years, inventory losses, losses from fixed assets, etc., shall be reported to the Ministry of Finance (hereinafter referred to as "MOF") for approval of write-off; IRICO Group Corporation or the State-owned assets management company will continue to sort out and seek to recover those bad assets that does not meet the conditions and cannot be written off.
- 2) With regard to the idle fixed assets that are sorted out by IRICO Group Corporation and are viable for operation, IRICO Group Corporation will establish an enterprise legal person and situate the redundant personnel; the assets not viable for operation will be publicly auctioned to other entities and individuals (a written statement shall be presented to the authority in charge of the examination and approval of State-owned capital in case the selling price is more than 10% lower than the assessed value), or leased to other entities and individuals with a leasing contract to be entered into (the leasing fee shall be concluded with reference to the bank loan interest rate for the same period. The idle fixed assets that cannot be disposed in accordance with the methods mentioned above shall be subject to the management of IRICO Group Corporation.

(4) Disposal of non-productive assets

Non-operational assets of IRICO Group Corporation that have been assuming social functions will be divested and handed over to relevant departments of the local government free of charge after full negotiation with the local government and the State-owned capital of IRICO Group Corporation shall be reduced accordingly. As for the divested non-operational assets that government is not willing or able to accept but is eligible for industrialized operation according to the policies, IRICO Group Corporation may establish a corporate economic entity with relevant assets in accordance with the law or adopt the methods of leasing, contract operation, sales, and so on.

2. Disposal of credits and debts

(1) Principles for disposal of credits and debts

- 1) Principle of "credits and debts follow assets". When assets go into a subordinate entity to be restructured, the corresponding debts shall also be assumed by the same entity. For any debt which can be confirmed as incurred by particular assets or businesses, when such asset or business goes into an entity to be restructured, the debt shall also be assumed by the same entity.
- 2) Principle of legality. Guarantee that the assumption of debts by an entity to be restructured has gone through legal and complete formalities, and the origin of such credits and debts shall be clear and legal.
- 3) Principle of respecting the right of creditor. Before a debt is assumed by an entity to be restructured, opinions of the creditors shall be solicited in advance and the creditors shall negotiate to implement the debt.

4) Principle of moderation. With a view to ensuring that the financial structure of an entity to be restructured is stable and reasonable, IRICO Group Corporation shall fully consider the credit and debt such entity has or owes to it and the scale of net assets of such entity.

(2) Method to implement credits and debts

- 1) IRICO Group Corporation will take overall charge of the consolidation and verification of the credits and debts of the enterprises to be restructured, conduct necessary audit, identify the creditors and debtors and enter into debt preservation agreement with the creditors and debtors.
- 2) Any restructured enterprise that used to be an independent legal person shall continue to assume and implement the existing credit and debt relations; any restructured enterprise that is separated from a main enterprise shall assume debts according to the agreed proportion.
- 3) As for any secondary business entity subject to overall restructure, the corporate enterprise established will succeed all credits and debts of the original entity; as for any entity restructured by means of separation, relevant credits and debts shall be succeeded by all parties established after separation; as for entities restructured by means of merger, the entity established after merger will succeed the credits and debts assumed by all entities before the merger.
- 4) The debts inside IRICO Group Corporation (including the surplus of the net State-owned assets of an enterprise subject to restructuring after all payments made as required during restructuring, which is kept in the restructured enterprise by means of being converted into credits of IRICO Group Corporation) cannot be offset as a result of the separation of core business and non-core business or the restructuring and redistribution, and shall be sorted out in a timely manner by relevant entities under the organization of IRICO Group Corporation. Relevant entities shall formulate practical repayment plans and make payment as scheduled.

All salaries, medical fees, pool resources and other fees owed to the employees shall be settled before the restructuring and may be directly deducted from the net State-owned assets.

5) IRICO Group Corporation debts owed to the redundant personnel subject to reposition such as pool resources, salaries (owed), medical fees and outstanding social insurance shall be handled in accordance with Article 17 of the No. 313 Document of the MOF and may be paid from the net assets of enterprise.

7. Disposal of Land Use Rights of Enterprises subject to Restructuring

In accordance with relevant laws and policies of the State and the People's Government of Shanxi Province on the management of land resources and with a view to implementing the land policies related to the arrangement of redundant personnel in case of separation of core business and non-core business and restructuring of the State-owned enterprises, it is confirmed:

- 1. If the land currently used by an enterprise subject to restructuring and redistribution is a land of which the land use right was obtained by IRICO Group Corporation by transfer and which will affect the overall planning of IRICO Group Corporation, the enterprise subject to restructuring and redistribution shall, in principle, use the land by means of leasing.
- 2. If the land currently used by an enterprise subject to restructuring and reposition of redundant personnel is a land obtained by IRICO Group Corporation through administrative allocation, the enterprise subject to restructuring and redistribution can continue to use the land by means of administrative allocation provided that the land

use purpose shall not be changed and the prior approval of the people's government of the local county or above; if it's necessary to change the land use purpose, verification shall be made in accordance with the Catalog of Lands Allocated (Decree No. 9 of the Department of Land and Resources), and the entity above can continue to use the land by means of allocation provided that the purpose of land after change conforms with the Catalog of Lands Allocated; if the purpose of land after change does not conform with the Catalog of Lands Allocated, the entity above shall go through the formality for compensable use of land in accordance with the law, and it is allowed to use the land transfer fees to pay the cost of restructuring.

3. Upon full negotiation with IRICO Group Corporation and approval by the competent authority of land and resources, an enterprise subject to restructuring and redistribution may accept the transfer of the State-allocated land use right it currently uses, go through the formality together with IRICO Group Corporation for the transfer with the competent authority of land and resources in accordance with the law and pay relevant fees.

8. Methods for Redistribution of Redundant Personnel

(I) Principles for redistribution of redundant personnel

1. Principle of properly dealing with the relationship of reform, development and stability

IRICO Group Corporation shall, with a view to achieving its overall target of restructuring and reposition of redundant personnel and in consideration of the ability to tolerate of enterprise, employee and society, adopt different methods to arrange redundant personnel under different situation.

2. Principle of adjusting labor relations in accordance with the law

Enterprises shall adjust the labor relations between the enterprise and its employees during the restructuring. During the adjustment of labor relations, the enterprise shall give consideration to the interests of all parties, properly deal with the relation between reform and stability, safeguard the legitimate rights and interests of the enterprise and its employees, and achieve harmonious and stable labor relations.

4. Principle of standard operation

IRICO Group Corporation shall, within the framework of the overall enterprise structuring scheme and in accordance with relevant laws, regulations and policies, work out the scheme for reposition of redundant personnel, which shall be deliberated and adopted by the employees' representatives or labor union of the enterprise to be restructured and shall be implemented after being verified and archived IRICO Group Corporation

5. Principle of "personnel following assets" and "personnel following business"

The regular employees of an enterprise (entity) before restructuring shall, in principle, be arranged for by the restructured enterprise.

6. Principle of maintaining the continuity of policy

The standards for compensation collected by any personnel who terminates labor contract and gets employed or searches for jobs in society and the standards for living costs collected by early retiring personnel shall be consistent before and after restructuring among the subordinate enterprises of IRICO Group Corporation and shall be in balance with the standard of similar enterprises in this region.

(II) Defining the scope of redundant personnel subject to reposition

For the purpose of this Scheme, redundant personnel subject to reposition shall refer to the regular employees of

the secondary businesses, logistics services and other entities with little relation with any principal business that shall be separated in accordance with the national industrial policy as well as the requirement of enterprise development strategy and the principle of division of labor on the basis of specialization, and the regular employees among the redundant personnel caused by industrial restructure and product restructure, including:

- 1. Regular employees of entities deemed as "Three Category Assets" in accordance with the spirit of the document Ref. Guo Jing Mao Qi Gai [2002] No. 859, including the on-post employees, post-waiting employees, employees under job-protected leave and other non-employed personnel of such entities.
 - 2. Regular employees in the principal businesses who shall be cut and subject to reposition.

(III) Approaches for redistribution of redundant personnel

- 1. Redistributed to the restructured enterprise. An employee signs a new labor contract with the restructured enterprise and continues employment in the restructured enterprise. This is the primary way of redistributing redundant personnel.
- 2. In consideration of the actual difficulty of re-employment of elder employees, enterprises may go through the formality for removing an employee who is within five years from the statutory age for retirement from his / her posts for rest (i.e., internal retiring ahead of schedule) with reference to Decree No. 111 promulgated by the State Council in 1993 and the document Ref. Guo Fa [2000] No. 42. During such rest period, the enterprise will not arrange any post to the employee and shall distribute living expenses to the employee on a monthly basis, and the employee shall go through the formalities of official retirement after satisfying the conditions for retirement as stipulated by the law.
- 3. An employee who satisfies the conditions for early retirement can go through the formality for early retirement in accordance with relevant provisions of the State.
- 4. With regard to an employee whose labor contract expires in the process of enterprise restructuring, the original labor contract terminates automatically and IRICO Group Corporation will not renew the labor contract with him / her in principle. If he / she is employed by the restructured enterprise after competition for post, a new labor contract shall be entered into with the restructured enterprise.
- 5. Self-search for jobs. In the process of enterprise restructuring, an employee who does not satisfy the conditions for internal retiring ahead of schedule or early retirement may voluntarily apply for early termination of the labor contract with the enterprise and search jobs in society.

(IV) Handling of various labor relationships in the process of redistribution of redundant personnel

Firstly, IRICO Group Corporation shall strictly implement the Notice of the Ministry of Labor on Issues of Labor Contract Performance during Enterprises' Implementation of Stock System and Stock Cooperative System Reform (Lao Bu Fa [1998] No. 34). First of all, IRICO Group Corporation shall implement the provisions on preceding consultation regarding the change to labor contract with the employee, and IRICO Group Corporation (or Shaanxi Color Picture Tube Plant in some case) may terminate the labor contract with the employee subject to reposition in case of failure to reach agreement on the change to the labor contract through consultation; IRICO Group Corporation shall, at the same time, inform the employee who is going to be subject to redistribution of the termination of the original labor contract thirty (30) days in advance.

Secondly, the original labor relation shall be dealt with in accordance with the law depending on the methods of and corresponding policy on the reposition of redundant personnel:

1. Employee employed by restructuring enterprise

- (1) After termination of the original labor contract with IRICO Group Corporation, an employee repositioned in a restructured enterprise controlled by non-State-owned legal person can obtain the economic compensation in accordance with the standard prescribed in the document Ref. [2003] No. 21 of the SASAC, (such economic compensation shall not be paid by cash in principle, and the employee may choose to convert such economic compensation into shares or credits of the restructured enterprise and participate in the profit distribution by the restructured enterprise), and the restructured enterprise and the employee will enter into a new labor contract and the employee's working years in the restructured enterprise shall be recalculated. The term of the new labor contract shall be determined by the restructured enterprise and the employee through mutual agreement, and it shall be no shorter than three years if the restructured enterprise and the employee fail to reach mutual agreement through consultation.
- (2) After termination of the original labor contract with IRICO Group Corporation, no economic compensation will be made to an employee repositioned in a restructured enterprise absolutely controlled by a State-owned legal person, and the employee's working years before and after restructure shall be consolidated and the compensation standard in the preceding paragraph shall be referred to after the structured enterprise is changed to an enterprise controlled by a non-State-owned legal person; the restructured enterprise and the employee will enter into a new labor contract, and the restructured enterprise and the employee shall continue to perform the rights and obligations in the original labor contract. If the employee's position is changed and he/she is not competent for work after such change, the restructured enterprise may adjust the position of the employee or provide relevant training, or make changes to the labor contract upon mutual agreement through consultation.

If the restructured enterprise and the employee cannot reach mutual agreement through consultation on changing the term of the labor contract, the remaining term of the original labor contract shall be completed; if the remaining term of the original labor contract is shorter than three (3) years, it shall be extended to three (3) years.

2. Employee internally retired ahead of schedule

- (1) As for an employee who has internally retired ahead of schedule before the restructure, IRICO Group Corporation will continue to perform the agreement on internal retiring ahead of schedule entered into with such employee.
- (2) At the time of restructuring and redistribution of redundant personnel among the enterprises, an employee who satisfies the conditions for internal retiring ahead of schedule and applies for internal retiring ahead of schedule may enter into an agreement on internal retiring ahead of schedule with IRICO Group Corporation, and the retirement office of IRICO Group Corporation will take charge of the relevant management (except for China National Electronics Devices Corporation).
- (3) As for an employee who has made early retirement in the process of restructuring and reposition of redundant personnel, IRICO Group Corporation will take full responsibility and make unified solution based on the current early retirement benefits of IRICO Group Corporation. Such employee's living expenses and the social insurance contributions made by enterprise before the statutory retirement age shall be used for specified purpose only and will be incorporated into the unified social Insurance premiums after such employee reaches the statutory retirement age and goes through the official retirement formality. China National Electronics Devices Corporation will reserve relevant costs from its net State-owned assets and manage its early retiring employees.

3. Employee searching for jobs in society

If an employee voluntarily terminates the labor contract with the enterprise in the process of restructuring and search jobs

in the society, the enterprise shall, in accordance with relevant provisions, terminate the labor contract, make economic compensation to the employee, go through the formality for termination of labor contract within the time limit, transfer the files, make unemployment registration, etc.

4. Employee losing the capability to work due to work-related injury (including occupational disease)

Any employee who has lost complete or a majority of his/her work ability due to work-related injury (including occupational disease) shall be subject to the Regulations on Work-Related Injury Insurance and have the right to enjoy work-related injury insurance benefits.

As for an employee who suffers from occupational disease or work-related injury and has lost part of his/her working ability, if he/she requires to terminate the labor contract with the enterprise, the enterprise shall terminate the labor relation and give economic compensation to him/her after making calculation and payment of the medical expenses, salaries payable and other costs wholly for once.

5. Employee suffering from disease or non-work-related injury

As for an employee who suffers from disease or non-work-related injury and is within the stipulated medical period, the economic compensation may be calculated in advance and reserved, and the enterprise may terminate the labor contract and give economic compensation upon expiry of the medical period; or the enterprise may, upon mutual agreement through consultation with the employee, terminate the labor contract and give economic compensation after making advance payment of the salaries payable and relevant benefits for the medical period.

In accordance with the provisions of the document Ref. Lao Ban Fa [1994] No. 214, as for an employee who suffers from mental disease and is assessed as loss of working ability, IRICO Group Corporation may terminate the labor contract with him/her and pay to him/her the medical subsidy equal to his/her standard salary of three months to six months.

When terminating the labor relation, the enterprise shall make payment of the medical subsidy not lower than six-month salaries in addition to the economic compensation to the employee who suffers disease or non-work-related injury. As for an employee who suffers serious disease or incurable illness, the enterprise shall appropriately increase the medical subsidy, and the part increased for employee suffering serious disease and incurable illness may not be lower than 50% and 100% of the medical subsidy respectively.

6. Handling of some abnormal labor relations

- (1) With regard to an employee who works in a limited company subordinated to IRICO Group Corporation and has actual labor relation with such limited liability but whose employment relation is still in IRICO Group Corporation without any change, the employer in the labor contract shall be changed into the limited company and whether to make economic compensation shall be decided in accordance with the nature of the limited company that he/she works for.
- (2) Long-term post-waiting, long-term study, long-term seconded, long-term "no service and no payment" and other abnormal labor relations shall be dealt with in accordance with the following provisions:
- 1). With regard to a long-term post-waiting employee, the labor relation with IRICO Group Corporation shall be terminated, and he/she can get the economic compensation after changing his/her status. According to the two-way selection principle, if the restructured enterprise accepts him/her, he/she will work in such enterprise and enter into a new labor contract with such enterprise; if he/she is not willing to accept reposition or the restructured enterprise is not able to accept him/her, IRICO Group Corporation shall terminate the labor relation after making payment of the economic compensation in accordance with the law.

- 2). With regard to an employee under the circumstance of long-term study, IRICO Group Corporation shall inform him/her to return to the company and deal with the labor relation within a specified time limit. If IRICO Group Corporation and the employee agree to maintain the labor relation after consultation, changes shall be made to relevant provisions of the labor contract to define the rights and obligations during the period of study; if the consultation fails, IRICO Group Corporation shall terminate the labor relation and make economic compensation.
- 3). With regard to an employee lent out long term, IRICO Group Corporation shall make the employer clear with the entity borrowing the employee. If the entity borrowing the employee officially hires the employee, the labor relation with IRICO Group Corporation shall be terminated and a new labor contract shall be entered into by the entity borrowing the employee and the employee (if the entity borrowing the employee is a non-State-owned enterprise, economic compensation shall be paid by IRICO Group Corporation). If entity borrowing the employee is not willing to officially hire the employee, IRICO Group Corporation shall change the labor contract with the employee in accordance with the law; if no agreement is made on the aforesaid changes through consultation, the labor relation with IRICO Group Corporation shall be terminated and IRICO Group Corporation shall pay economic compensation to the employee.
- 4). With regard to an employee who provides no service and receives no payment, IRICO Group Corporation may terminate the labor contract in accordance with the law without making any economic compensation.

7. Employee whose labor contract expires in the process of restructuring

With regard to an employee whose labor contract expires in the process of restructuring, the labor contract shall terminate automatically and IRICO Group Corporation will not renew the labor contract with him/her in principle and will pay the living subsidy to him/her in accordance with the document of the Ministry of Labor and Social Security Ref. Lao She Ting Han [2001] No. 280.

If an employee satisfies the retiring conditions upon expiration of his/her labor contract, he/she may go through the formality for retirement and collect the pension; if an employee does not satisfy the retiring conditions upon expiration of his/her labor contract, the enterprise shall assist him/her to make unemployment registration and collect unemployment benefits. (Lao Bu Fa [1996] No. 354)

(5). Handling of social insurance account

After enterprise restructuring, the transfer and succession of the employees' social insurance account shall be carried out as required. As for employees arranged to restructured enterprises or other enterprises, their employer and themselves shall continue to participate in social insurance; as for employees who search for jobs in the society, the provisions of the local social security administrative authority shall apply.

IRICO Group Corporation shall actively coordinate with the social security administrative authority and undergo the formalities for transfer of its employees' social insurance accounts. If the coordination is inconsistent and it is difficult to transfer the social insurance accounts, the social insurance accounts of the employees of the restructured enterprise may be temporarily managed by IRICO Group Corporation on behalf of the restructured enterprise upon approval of the local social security administrative authority, and the restructured enterprise and IRICO Group Corporation shall sign a custody agreement for employees' social insurance accounts. IRICO Group Corporation shall withhold and pay the social insurance premiums according to the standard specified by the social security administrative authority, and all costs thereof shall be borne by the restructured enterprise and the employees themselves.

If it is difficult to transfer the social insurance accounts of the employees who search jobs in the society, the social insurance accounts of such employees may also be temporarily managed by IRICO Group Corporation on their behalf upon approval

of the local social security administrative authority, and they shall enter into a custody agreement for their social insurance accounts. IRICO Group Corporation shall withhold and pay the social insurance premiums according to the standard specified by the social security administrative authority, and all costs thereof shall be borne by themselves.

(6). Costs related to reposition of redundant personnel

1. Economic compensation paid for termination of labor contract

In the event that an employee repositioned in a restructured enterprise controlled by a non-State-owned legal person terminates the labor contract with IRICO Group Corporation, IRICO Group Corporation shall pay economic compensation to the employee with its State-owned assets in accordance with relevant provisions of the State and such economic compensation may be converted into shares or credits in the restructured enterprise on voluntary basis by the employee.

The standard for economic compensation for termination of labor contract shall be subject to the provisions of the document Ref. Lao She Bu Fa [2003] No. 21.

Considering the actual situation of the subordinated enterprise of IRICO Group Corporation, the standard for economic compensation for termination of labor contract with the employees may be executed as follows:

(1) When an enterprise terminates the labor contract with an employee, the enterprise shall pay economic compensation, which shall be based on the working years that the employee works in such enterprise, equal to the employee's monthly average salary for every year (if the time is less than one year, it is also deemed as one year) he/she works in such enterprise. The employee's total economic compensation shall be calculated according to his/her actual employment ages in such enterprise.

The salary calculation standard for economic compensation shall refer to the average salary over the twelve-month period preceding the termination of the labor contract by the employee under the circumstance of normal operation of the enterprise. If the average monthly salary of the employee is lower than the average monthly salary of the enterprise, the payment shall be made in accordance with the average monthly salary of the enterprise.

To facilitate the calculation, the average monthly salary of the enterprise shall be determined based on the average monthly salary of IRICO Group Corporation in the previous year. If the average monthly salary of the enterprise is higher than average monthly salary of IRICO Group Corporation, the economic compensation may be calculated and paid based on the average monthly salary of the enterprise.

If the average monthly salary of an employee exceeds three times the average monthly salary of the enterprise or more, the economic compensation shall be calculated and paid based on the amount not more than three times the average monthly salary of the enterprise.

- (2) IRICO Group Corporation shall make one-off payment in cash to an employee searching jobs by himself/herself as the economic compensation to for termination of the labor contract. In principle, the economic compensation shall not exceed the level of economic compensation that shall be paid when the enterprise terminates the labor contract.
- (3) No economic compensation may be made to the following personnel for termination of the labor contract: titular or affiliated personnel who has no actual labor relation with the enterprise; personnel dealt with as voluntary resignation; personnel who settles down abroad (outbound) for private affairs; personnel whose labor contract is terminated in accordance with Article 25 of the Labor Law; personnel who resigns and terminates the labor contract.
 - 2. Standard for living expenses of early retiring employees

The standard for living expenses of early retiring employees shall be determined by the enterprise pursuant to its actual

conditions. However, the standard for living expenses may not exceed the amount verified by the calculation method that is used to calculate the pension of normal retiring personnel in the province. The early retiring employees' individual contributions to pension insurance may remain the same as they are on duty or be paid based on their standard for living expenses.

Once approved, the standard for living expenses of early retiring employees shall not be subject to any adjustment until official retirement. When an early retiring employee satisfies the statutory retirement conditions, his/her basic pension after retirement shall be approved and calculated as required by the social security administrative authority.

- 3. In principle, the economic compensation and living expenses of early retiring employees that the enterprises shall pay for termination of labor contract in the process of separation of principal businesses and secondary businesses and the restructuring of secondary businesses shall be paid with the net State-owned assets of the restructured enterprises. The insufficient part of payment with the net State-owned assets of the restructured enterprises shall be made up for by IRICO Group Corporation.
- 4. Other costs that may incur in the process of restructure will be implemented in the enterprises one by one in accordance with the provisions of the State.

(7). Support and encouragement measures in the redistribution of redundant personnel

Firstly, in accordance with the spirit of the national re-employment meeting and the provision of the document Ref. No. 859, IRICO Group Corporation will extend its principal businesses upward during the implementation of relevant diversification strategy, extending the industrial chain, cultivating new profit driver, and vigorously increasing job positions. Secondly, IRICO Group Corporation will fully preach the policy, help the redundant personnel use the tax reduction and exemption and subsidy policies, and support the personnel in entrepreneurship and search for jobs in society. Thirdly, IRICO Group Corporation will look for proper social organizations to carry out training and guide the personnel to change their concept of employment. Fourthly, IRICO Group Corporation will establish incubation mechanisms for individual search for jobs, entrepreneurship, etc.

9. Total Amount, Sources and Payment of Economic Compensation

During the restructure and redistribution, any permanent employee who is employed by a restructured enterprise controlled by a non-State-owned legal person after reposition of redundant personnel shall be entitled to economic compensation when he/she terminates the labor contract with IRICO Group Corporation in accordance with the law.

1. Calculation standard of economic compensation

Economic compensation shall be subject to the provisions of the documents Ref. No. 859 and Ref. [2003] No. 21 of the Ministry of Labor.

- 2. After preliminary calculation, the economic compensation to be paid to the employees for termination of labor contract amounts to RMB **164,021,106**.
- 3. The source of the economic compensation are mainly IRICO Group Corporation's net State-owned assets in the enterprises subject to restructuring and reposition of redundant personnel and the income obtained by IRICO Group Corporation through transfer of shares and liquidation of assets; the insufficient part of payment including economic compensation made in accordance with the law shall be made up by IRICO Group Corporation.
- 4. Payment of the economic compensation. After the Scheme becomes effective, an employee who agrees to terminate the labor relation after consultation shall enter into an agreement on terminating the labor contract with IRICO Group Corporation within the specified time limit and get the economic compensation in accordance with the law.

10. Handling of Several Issues in the Process of Restructuring and Redistribution

1. Related transactions

After separation of the restructured enterprises, the trading between IRICO Group Corporation and any restructured enterprise will be conducted fully in accordance with the market discipline and the principles of fairness and reasonableness as well as equality and voluntariness, and the transacting entities shall undertake corresponding civil obligations and enjoy corresponding civil rights in accordance with the civil contract.

2. Support policy for the enterprises subject to restructuring and redistribution

IRICO Group Corporation will provide certain policy support to the enterprises subject to restructuring and reposition of redundant personnel. Those polices mainly include:

- 1) IRICO Group Corporation will, according to the scheme for separation of principal and secondary businesses and restructuring and redistribution as well as the affiliated transaction agreements signed with the restructured enterprises, appropriately protect the internal market and, other factors being equal, prefer the products or services of the enterprise subject to restructuring and redistribution so as to fully reflect the spirit of "give them a leg up to get them going".
 - 2) Production and operation conditions of the enterprise subject to restructuring and redistribution.
- 3) To make use of the advantage of IRICO Group Corporation in management, technology and talents and provide guidance and help to the enterprises subject to restructuring and redistribution so as to facilitate the improvement of management and technology of such enterprises.
- 4) To help recommend operators to and supervise the legitimacy of the process of operator selection of the enterprises subject to restructuring and redistribution.
- 5) Fees shall be charged pursuant to the preferential policy with regard to the fixed assets of IRICO Group Corporation occupied by the enterprises subject to restructuring and redistribution; a certain period of support shall be provided to the enterprises subject to restructuring and redistribution that are not eligible for operation, and the fees shall be reduced year by year.

However, the principles that IRICO Group Corporation adopts in its support policies mentioned above are "internal entities first but no protection of laggard" and "priority subject to same competitive conditions", with a view to facilitating the enterprises subject to restructuring and redistribution to actively reduce costs, upgrade quality, improve service and enhance market competitiveness as soon as possible.

The support policies mentioned above may be reflected in relevant agreements with the enterprises subject to restructuring and reposition of redundant personnel.

Section 3 Entities Participating in Restructuring and Redistribution and Scheme of Restructure (or Idea of Restructure)

- I. List of Entities Participating in Restructuring and Redistribution and Their Basic Information (see the details in Attachment 3: List of Entities Participating in Restructuring and Redistribution and Their Basic Information)
- II. Implementation Scheme of Restructuring and Redistribution for the 1st Batch of Pilot Entities Subject to Restructuring and Redistribution (four enterprises in total)

IRICO Construction Engineering Co., Ltd. Scheme of Restructuring and Redistribution

I. Basic Information of Company

IRICO Construction Engineering Co., Ltd. (hereinafter referred to as "Engineering Company") was established in March 1993, a company owned by the whole people. Economic method is project management general contracting.

Xianyang IRICO Real Estate Development Corporation, Shaanxi IRICO Construction PMC Corporation and Shaanxi IRICO Construction and Engineering Design Institute are subsidiaries of IRICO Construction Engineering Co., Ltd. and are not subject to independent accounting.

By 31 December 2002, the company had assets of RMB 10,479,099.58 in total, debts of RMB 4,007,037.90 in total, and shareholders' equity of RMB 6,472,061.68 in total.

II. Analysis of Restructuring Conditions

1. Engineering Company has certain capability of survival and potential of market development.

Engineering Company has many qualifications but has not made use of their true value. At present, Engineering Company and its three subordinate companies have rich qualification resources, including the qualification of Grade C real estate development and construction contracting, Grade A project cost consultancy qualification, Grade B architectural design qualification, and Grade A PMC qualification, among which PMC qualification is the only Grade A PMC qualification in Xianyang City. Besides, the key personnel are all intellectuals with high quality.

- 2. Engineering Company operators and most of its employees are active in restructure.
- 3. The management team is united and has the spirit of market development.

Overall, the Engineering Company has certain capability of survival and potential of market development; the operators and employees relatively support restructuring; Engineering Company meets the conditions for one-time restructuring into a legal entity controlled by non-State-owned legal person.

III.Scheme of Restructure

(I) Form of restructure and shareholding structure

- Form of restructure: being restructured into a limited liability company controlled by a non-State-owned legal person.
 Engineering Company, Shaanxi IRICO Construction and Engineering Design Institute and Shaanxi IRICO Construction

 PMC Corporation are combined as one limited liability company that can implement EPC projects; Xianyang IRICO Real Estate
 Development Corporation is kept and reformed into a limited liability company of which the shares are held by its employees.
 - 2. Shareholding structure
- (1) IRICO Group Corporation transfers its shares in the aforesaid companies to the current operators and employees of Engineering Company and retain no more than 20% of its shares.
- (2) The shareholding ratio of the operators and employees is more than 50%. The employee share ownership shall comply with the principle of leaning towards operators and sales backbones, while in principle the shareholding ratio of the operators may not exceed five times the average shareholding ratio of the common employees.
 - (3) The shareholding ratio of other private capital brought in shall be less than 30%.
- (4) Sources of shareholders' contributions: IRICO Group Corporation uses the net assets after payment of the restructuring costs as its contributions; operators and employees make contributions with the economic compensation obtained and some self-raised cash; private capitals make contributions in the form complying with the Company Law.

3. Carriers of the shares of operators and employees

Since the number of operators and employees making contributions has exceeded the limit of fifty (50) shareholders in a limited liability company according to the Company Law, a trust and investment corporation or the legal representative of the labor union will be selected with priority as the carriers of the shares of operators and employees, holding shares on behalf of operators and employees; the representatives of the staff members of the company may be elected to hold the shares on behalf of operators and employees upon the decision of the employees who make contributions. The content of the shareholding entrustment agreement shall be agreed by the parties through negotiation and such agreement shall define the legal fact that the contributions are made on behalf of other.

- 4. Corporate governance structure:
- (1) The company shall have the shareholders' meeting as the company's highest authority, which is composed by all shareholders of the company and exercises rights in accordance with the Company Law and the company's articles of association, and the rules of procedure and voting procedures of the shareholders' meeting shall be subject to the company's articles of association.
- (2) The company shall have a board of directors as the company's top governing body, which is to be composed of 3 to 13 members nominated by the shareholders according to their proportional ratio of the equity interests held and elected by the shareholders' meeting. The board of directors shall be accountable to the shareholders' meeting and exercise the powers in accordance with the Company Law, the company's articles of association and the rules of procedure. The chairman of the board of directors shall be the legal representative of the company.
- (3) The company shall have a board of supervisors as the company's supervisory authority, which shall be elected by and accountable to the shareholders' meeting. The board of supervisors is to be composed of 3 or more members and shall include the representatives of the staff members of the company. The board of supervisors shall have one chairman who is to convene the meetings of the board of supervisors.

(II) Condition of personnel and opinions on reposition of redundant personnel

- 1. At present, Engineering Company has 95 personnel, of which 78 are permanent personnel.
- 2. The aforesaid permanent personnel will terminate the labor contract with IRICO Group Corporation and get economic compensation.
- 3. Fifteen (15) personnel who satisfy the early retiring conditions may go through the early retiring formalities on the basis of voluntariness and then be incorporated by IRICO Group Corporation into its prevailing early retiring personnel management system for management.
- 4. With regard to the retired personnel, the enterprise will conduct handover work on relevant integrated fees with IRICO Group Corporation and turn it over to the retirement office of IRICO Group Corporation for management.
- 5. After getting the economic compensation, sixty (63) personnel will join a new company and enter into a new labor contract of at least three (3) years with the new company.

(III) Economic compensation and sources thereof

The estimated total amount of economic compensation needed is RMB 4,312,589.

The funds are mainly from IRICO Group Corporation's net State-owned assets in Engineering Company and the income obtained by IRICO Group Corporation through transfer of shares and liquidation of assets; the insufficient part of payment including economic compensation made in accordance with the law shall be made up by IRICO Group Corporation.

(IV) Disposal of assets

- 1. The building of IRICO Group Corporation that is now occupied by the company is not in the scope of restructuring and it will be taken back by IRICO Group Corporation and then leased to Engineering Company for use.
 - 2. The IRICO Group Corporation takes back its undistributed profits of RMB 3,328,977.
- 3. After paying the economic compensation with the net assets that have been included in the scope of restructure and evaluated, IRICO Group Corporation prices and transfers 80% of the shares of the surplus net assets to the personnel and new social investors of Engineering Company, and the personnel of Engineering Company shall have the right of first refusal to the shares of IRICO Group Corporation.
 - 4. The insufficient part of payment with the net assets shall be made up in cash by IRICO Group Corporation.

(V) Credits and debts

The credits and debts of the former restructured enterprise shall be succeeded and borne by the newly established company.

With regard to the debts inside IRICO Group Corporation, IRICO Group Corporation shall make unified coordination and debts repayment agreements shall be signed.

(VI) Policy support

Since Engineering Company has relatively weak market awareness and relatively poor market operation experience for a long time, IRICO Group Corporation shall provide certain support to Engineering Company within three (3) years in terms of the expansion and reconstruction projects of IRICO Group Corporation and financing.

IV. Youth League and Party Relations, Archives Management and Social Insurance Succession and Other Connection Work

After the company restructuring, relevant formalities for localized management shall be go though in accordance with the specific regulations of Shaanxi Province and Xianyang City.

Shenzhen IRICO Electronics Company Scheme of Restructuring and Redistribution

I. Company profile

Shenzhen IRICO Electronics Company (hereinafter referred to as "Shenzhen IRICO") is an internally-linked enterprise for all jointly invested by IRICO Group Corporation, Shenzhen Special Economic Zone Development Group Co., Ltd. and Shenzhen Sangda Electronics Co., Ltd. Shenzhen IRICO was established in April 1989 with registered capital pf RMB 4,230,000 and is mainly engaged in the production and sales of magnet convergence used by color picture tubes and display tubes.

By 31 October 2003, Shenzhen IRICO had assets of RMB 35,081,883.57 in total, debts of RMB 10,389,140.54 in total, and shareholders' equity of RMB 24,692,743.03 in total, among which the shareholder equity of IRICO Group Corporation was RMB 1,728,490.12.

At present, Shenzhen IRICO has 165 personnel, of which 8 are permanent personnel and all are official employees dispatched by IRICO Group Corporation.

II. Analysis of Restructuring Condition

1. Shenzhen IRICO has capacity for market survival and potential of market development.

Shenzhen IRICO produces more than 18 million pieces of magnet convergence per year, of which 60% are used by IRICO Group Corporation and around 40% are sold to Samsung, SEG Hitachi, CPTF and other companies, and has certain capacity for market survival. Although it has the disadvantage of rigid mechanism, the system-oriented problems restricting company development will be completely resolved after the successful completion of the restructure, and the potential of development will be significantly stimulated.

2. Good business condition, high quality of assets, and capable to pay all costs of restructure

Although Shenzhen IRICO is faced with the restriction of product lineup and the pressure of market competition, the current business condition and the quality of assets is good, all costs of restructure can be paid, and it is a good time for restructure.

3. Company operators and most of its employees are active in restructure and have market concept.

Operators and employees of Shenzhen IRICO have strong market awareness and risk tolerance capability compared with other mainland supporting enterprises of IRICO Group Corporation because Shenzhen IRICO is located in Shenzhen, a region where the market economy is highly developed. At present, operators and employees of Shenzhen IRICO are taking the attitude of supporting and participating in the restructure and they hope the restructure could be done as soon as possible.

4. The company management level of the operating team is high, and they have strong market awareness and enterprising spirit.

Shenzhen IRICO has strong capability in technology and management since its management and technical personnel are from IRICO Group Corporation, and therefore its company management system is relatively complete compared with other similar domestic companies. Besides, the operating team has never been satisfied with the internal market of IRICO Group Corporation and they have been adhering to market-oriented and customer-oriented operation policy. They have certain market awareness and enterprising spirit.

5. The other two state-owned shareholders of Shenzhen IRICO are in favor of the restructure and have agreed to give up the right of first refusal towards the shares transferred by IRICO Group Corporation.

Overall, Shenzhen IRICO meets the basic conditions for one-time restructuring into an independent legal entity controlled by non-State-owned legal person.

III. Scheme of Restructure

(I) Form of restructure and shareholding structure

- 1. Form of restructure: being restructured into a limited liability company controlled by a non-State-owned legal person
- 2. Company name after restructure: Shenzhen IRICO Electronics Co., Ltd.
- 3. Scope of business after restructure: basically no change, taking advantage of plastic injection and moulding and developing new products in addition to the production of magnet convergence
- 4. Shareholding structure after restructuring: After IRICO Group Corporation transferred 50% out of 70% of the shares it held to the operators and employees based on the assessed net asset value, the shareholding structure is as follows: IRICO Group

Corporation holds 20% of the shares, company operators, employees and some sales backbones hold 50% of the shares (of which major shares shall be held by operators), Shenzhen Special Economic Zone Development Group Co., Ltd. holds 20% of the shares, and Shenzhen Sangda Electronics Co., Ltd. holds 10% of the shares.

- 5. Sources of the contributions of operators and employees: operators and employees make contributions with the economic compensation obtained and some self-raised cash.
 - 6. Corporate governance structure
- (1) The company shall have the shareholders' meeting as the company's highest authority, which is composed by all shareholders of the company and exercises rights in accordance with the Company Law and the company's articles of association, and the rules of procedure and voting procedures of the shareholders' meeting shall be subject to the company's articles of association.
- (2) The company shall have a board of directors as the company's top governing body, which is to be composed of 3 to 13 members nominated by the shareholders according to their proportional ratio of the equity interests held and elected by the shareholders' meeting. The board of directors shall be accountable to the shareholders' meeting and exercise the powers in accordance with the Company Law, the company's articles of association and the rules of procedure. The chairman of the board of directors shall be the legal representative of the company.
- (3) The company shall have a board of supervisors as the company's supervisory authority, which shall be elected by and accountable to the shareholders' meeting. The board of supervisors is to be composed of 3 or more members and shall include the representatives of the staff members of the company. The board of supervisors shall have one chairman who is to convene the meetings of the board of supervisors.

(II) Condition of personnel and opinions on reposition of redundant personnel

- 1. At present, Shenzhen IRICO has eight permanent personnel and one personnel on leave and all of them are personnel dispatched to Shenzhen IRICO by IRICO Group Corporation.
- 2. All eight permanent personnel will terminate the labor contract with IRICO Group Corporation and get the economic compensation in accordance with the law, and the compensation will set off part of the shares; the on-leave personnel will be handed over to IRICO Group Corporation and incorporated into the retired personnel of IRICO Group Corporation for management.
- 3. After the new company completes the registration of change, it will enter into a new labor contract of at least three (3) years with the aforesaid eight personnel respectively.

(III) Total amount of economic compensation and sources thereof

Based on the preliminary calculation, the estimated economic compensation amounts to about RMB 1,120,000 for the permanent personnel, calculated according to the formula of average monthly salary over the twelve-month period up to 31 October 2003 multiplying continuous working years (working years shall be accumulated in case of transfer from other State-owned company) of the same permanent personnel. Such economic compensation shall be paid from the IRICO Group Corporation's net assets in Shenzhen IRICO.

(IV) Disposal of assets

1. There are legal obstacles in the current house property due to historical issues and it will not become part of the restructured company. The existing shareholders and Shenzhen government will negotiate on the house property.

 IRICO Group Corporation will use about RMB1,120,000 to pay the economic compensation for terminating the labor contract, and such payment will be made from IRICO Group Corporation's net assets in Shenzhen IRICO.

(V)Disposal of credits and debts

Most of the existing credits and debts are floating credits and debts incurred in the normal business of Shenzhen IRICO, and all such credits and debts shall be enjoyed and borne by the restructured enterprise.

(VI) Land use right

The new company will adopt the way of leasing to obtain land use right.

IV. Youth League and Party Relations, Archives Management and Social Insurance Succession and Other Connection Work

The handover and succession of the aforesaid relations shall be conducted in accordance with the document Ref. No. 859 and relevant provisions of local governments of Shenzhen, and localized management shall be applied.

V. Related Transactions and Support Policy

Since the main products of Shenzhen IRICO are internally provided to IRICO Group Corporation at present, IRICO Group Corporation will enter into an internal market support agreement with Shenzhen IRICO granting priority under same conditions within a time limit with a view to reflecting the support policy after restructure.

China National Electronics Devices Corporation Scheme of Restructuring and Redistribution

I. Company profile

China National Electronics Devices Corporation (hereinafter referred to as "CNEDC") mainly engages in the production and sales of electronics devices. By 31 December 2002, it had assets of RMB 562,319,639.98 in total, debts of RMB 359,509,952.23 in total, and shareholders' equity of RMB 200,295,585.89 in total.

II. Analysis of Restructuring Condition

- 1. At present, CNEDC has good profits, and operators and employees are active in restructure.
- 2. CNEDC prepared for restructure for two years before the release of the document Ref. No. 859, and the basic conditions for restructure have been preliminarily met.
 - 3. The operating team has the sense of market development and rich experience in operation and management.

III. Scheme of Restructure

(I) Form of restructure and shareholding structure

- 1. Form of restructure: restructuring CNEDC from the nature of solely state-owned enterprise into a limited liability company controlled by a non-State-owned legal person
- 2. Shareholding structure: IRICO Group Corporation withdraws fully and shares will be held by China National Electronics Devices Corporation's current operators, employees and social investors. Operators and employees have the right of first refusal regarding the transfer of the shares of IRICO Group Corporation (major shares shall be held by operators and the shareholding ratio of the operators may not exceed five times the average shareholding ratio of the common employees), and other shares will be purchased by social investors (private enterprises of Zhejiang Province).

3. Carriers of the shares of operators and employee

Since the number of operators and employees making contributions has exceeded the limit of fifty (50) shareholders in a limited liability company according to the Company Law, a trust and investment corporation or the legal representative of the labor union will be selected with priority as carrier of the shares of operators and employees, holding shares on behalf of operators and employees; the representatives of the staff members of the company may be elected to hold the shares on behalf of operators and employees upon the decision of the employees who make contributions. The content of the shareholding entrustment agreement shall be agreed by the parties through negotiation and such agreement shall define the legal fact that the contributions are made on behalf of other.

- 4. Sources of the contributions of operators and employees: operators and employees make contributions with the economic compensation obtained and some self-raised cash.
 - 5. Corporate governance structure
- (1) The company shall have the shareholders' meeting as the company's highest authority, which is composed by all shareholders of the company and exercises rights in accordance with the Company Law and the company's articles of association, and the rules of procedure and voting procedures of the shareholders' meeting shall be subject to the company's articles of association.
- (2) The company shall have a board of directors as the company's top governing body, which is to be composed of 3 to 13 members nominated by the shareholders according to their proportional ratio of the equity interests held and elected by the shareholders' meeting. The board of directors shall be accountable to the shareholders' meeting and exercise the powers in accordance with the Company Law, the company's articles of association and the rules of procedure. The chairman of the board of directors shall be the legal representative of the company.
- (3) The company shall have a board of supervisors as the company's supervisory authority, which shall be elected by and accountable to the shareholders' meeting. The board of supervisors is to be composed of 3 or more members and shall include the representatives of the staff members of the company. The board of supervisors shall have one chairman who is to convene the meetings of the board of supervisors.
 - 6. Business scope of restructured company: the current scope of business remaining unchanged.

(II) Condition of personnel and opinions on reposition of redundant personnel

- 1. CNEDC has 189 permanent employees, 160 in-service employees, 38 employees meeting the national statutory and Beijing early retirement conditions (working for 30 years), 90 retired employees among which 8 are retired with honors.
- 2. All fees withdrawn by retired employees in accordance with the provisions of the State and local government of Beijing Municipality shall be incorporated into the restructured company for management.
- 3. With regard to 36 employees who have handled early retiring procedure (among which 20 employees handled early retiring procedure in accordance with the policy of Beijing Municipality), no economic compensation may be made and such employees shall be incorporated into the restructured company and be subject to the management by the restructured company as required after withdrawal of relevant living expenses and social insurance premiums.
 - 4. With regard to 8 employees who meet the early retiring conditions, if they choose to continue to work based on the

principle of voluntariness, they can get economic compensation after terminating the original labor contract and shall enter into a labor contract of at least three years with the new company; if they choose early retirement, no economic compensation will be paid, and early retirement procedures shall be gone through after reserving the living expenses and social insurance premiums of five years.

5. All other employees join the restructured new company and enter into a new labor contract of at least three years with the new company respectively.

(III) Total amount of economic compensation and sources thereof

Based on the preliminary calculation, the estimated economic compensation amounts to about RMB 16,986,896 for the permanent personnel, calculated according to the formula of average monthly salary over the twelve-month period up to 31 October 2003 multiplying continuous working years of the same permanent personnel.

Such economic compensation is sourced from the IRICO Group Corporation's net assets in CNEDC.

(IV) Disposal of assets

- 1. IRICO Group Corporation will take back the undistributed profits.
- 2. The economic compensation paid by IRICO Group Corporation to terminate the labor contract amounts to about RM 16,986,896, which will be paid with IRICO Group Corporation's net assets in CNEDC.
- 3. The surplus net assets after all payments made pursuant to the policies shall be transferred to CNEDC's operators and employees, who will purchase the surplus and sell to social investors.

(V) Disposal of credits and debts

The existing credits and debts shall be enjoyed and borne by the restructured company.

IRICO Group Corporation shall make counter-guarantee for the loan balance guaranteed by CNEDC, and collateral shall be made from the current fixed assets of CNEDC and formalities for collateral registration shall be one through.

(VI) Land use right

CNEDC will continue to use the current State-owned allotted land in the way of allocation after it consults with the Beijing Municipal Administration of State Land, Resources and Housing.

IV. Youth League and Party Relations, Archives Management and Social Insurance Succession and Other Connection Work

It shall be conducted in accordance with relevant regulations on social security in Beijing.

China National Electronics Import and Export Caihong Co. Restructuring & Redistribution Scheme

I. Company's Basic Situation

China National Electronics Import and Export Caihong Co. has registered assets of 22 million yuan, and belongs to China National Electronics Import and Export Parent Company (in fact, the relationship is doing-business-as). The company is a foreign trading company, and mainly operates IRICO Group Corporation's internal import and export business.

As of 2002 October 31, the company's total assets amounted to 233,810,376.93 yuan, of which fixed assets were 3,457,972.62 yuan, liquid assets 229,034,253.75 yuan. Total debts were 227,672,067.21 yuan, owners' rights totaled 6,138,309.72 yuan.

II. Analysis of conditions for reform

- 1. Possesses the conditions for market survival and growth potential.
- 2. Operators and employees' are relatively active in the restructuring, and their concepts are in the right place.
- 3. The operator team's corporate management level is high, and possesses strong market awareness, with plenty of spirit and initiative.

In summary, the company has the fundamental conditions for a one-time restructuring into a non-state-owned controlled independent legal person.

III.Reform Plan

(I) Reformed form and equity structure

- 1. Reformed form: Limited liability company controlled by a non-State-owned legal person
- 2. Company name after reform: Shaanxi Province Caihong Import and Export Limited Liability Company (tentative name, will adopt name finally certified by the Industry and Business Bureau)
 - 3. Business scope after reform: Mainly handling IRICO Group Corporation's related import and export business.
- 4. Shareholding structure: IRICO Group Corporation will hold 20% of shares, remaining shares will be held by current employees and operators, of which operators should hold large shares, their holding amount not normally exceeding five-times regular employees' share amount.
 - 5. Carriers of the shares of operators and employees

Since the number of operators and employees making contributions has exceeded the limit of fifty shareholders in a limited liability company according to the Company Law, a trust and investment corporation or the legal representative of the labor union will be selected with priority as the carriers of the shares of operators and employees, holding shares on behalf of operators and employees; the representatives of the staff members of the company may be elected to hold the shares on behalf of operators and employees upon the decision of the employees who make contributions. The content of the shareholding entrustment agreement shall be agreed by the parties through negotiation and such agreement shall define the legal fact that the contributions are made on behalf of other.

6. Source of funding for operators and employees

Operators and employees can use the obtained economic compensation to buy stock, and then raise a portion of the cash contribution; the private capital is raised in a way that is compliant with Company Law.

- 7. Corporate governance structure:
- (1) The company has a shareholder meeting, which is the highest authority of the company, and is composed of all shareholders, and exercises its rights in accordance with the "Company Law" and the company's Articles of Association, The method of meetings and voting procedures will be carried out in accordance with the provisions of the company's Articles of Association.
- (2) The company's Board of Directors is the company's top decision-making body. The Board of Directors is composed of three to thirteen directors. The members of the Board of Directors are nominated by shareholders with reference to their proportion of equity and are elected by the shareholders' to the shareholders' meeting and exercises its powers in accordance with the "Company Law," the "Articles of Association," and the "Rules of Procedure for the Board of Directors." The chairman of the company is the legal representative of the company.

(3) The company establishes a board of supervisors, which is the company's supervisory body and is elected by and responsible to the shareholders' meeting. The number of the board of supervisors is not less than three and there shall be employee representatives. The board of supervisors has one chairman of the board of supervisors and is the convener of the board of supervisors.

(II) Personnel Status and Resettlement Opinions

- 1. There are 65 permanent employees, of which 7 qualify for internal retirement.
- 2. All the above mentioned employees will dissolve their labor contracts with IRICO Group Corporation, and IRICO Group Corporation shall pay economic compensation funds.
- 3. 7 employees met the conditions for internal retirement on voluntary basis. If they choose internal retirement, then they shall withdraw living expenses and social insurance premiums until the legal retirement age, and when they reach the retirement age, formal retirement procedures shall be conducted, related social insurance shall be handled in accordance with social tong and other regulations; if they don't choose internal retirement and request to continue working, then they shall dissolve their labor relations with IRICO Group Corporation and receive economic compensation according to the law.
- 4. For employees entering the restructured company, they shall sign a labor contract of no less than three years with the new company.

(III) Total amount and source of economic compensation

For permanent employees through September 2003, total economic compensation funds are initially calculated to be 3,616,374 yuan, averaging 56,000 yuan per person.

(IV) Disposition of assets

Because the company's current assets are of relatively poor quality, after evaluation, net assets shall be granted a certain discount based on quality of assets, in principle not exceeding 10%, and shall be reported to state-owned assets supervisory institutions for review.

(V) Handling credit rights and debt obligations

The existing creditor's rights and debts are enjoyed and borne by the restructured company.

I. The organization of the relationship between the party and the organization, the file management, the social insurance connection, etc.

After the reform is completed, the company will coordinate with the related departments of Xianyang City to process the above localization management.

II. Related Transactions and Support Policy

IRICO Group Corporation shall give the new company a period of supportive policy, and an actual agreement will be separately signed.

Attached: Personnel and economic compensation funds calculations for the four restructured and redistributed companies

Name of Company	People to be redistributed, placed	Economic reimbursement amount (unit: Yuan)	Per person economic reimbursement amount (unit: Yuan)
IRICO Construction Engineering Company	78 people	4312589	55289
China Electronic Devices Industrial Corporation	189 people	16986896	89877
China National Electronics Import & Export Caihong Co.	65 people	3616374	55636
Shenzhen IRICO Electronics Co., Ltd.	8 people	1120000	140000
Total	340 people	26035859	

II Initial Restructuring Plan or Restructuring Ideas of Other Restructuring and Redistribution Units

Other than the above four pilot-restructured and redistributed companies, other units involved in restructuring and redistribution have already formulated preliminary restructuring plans. The remaining units have also established the idea of restructuring and redistribution on the basis of investigation and research and the restructuring plan is being developed. In order to facilitate the examination and approval of the authorities, the initial restructuring plans or reform ideas of these units are listed. After the specific plans are formed, they will be reported in batches.

1. Initial Reform Plan of IRICO Screen Plant

I. Company's Basic Situation (see Attachment III)

II. Reform Plan

(I) Reformed form and equity structure

- 1. Reformed form: Non-state-owned limited liability company
- 2. Shareholding structure: Through the entrustment of funds to a trust investment company, the employees of IRICO Group Corporation will have the trust investment company and IRICO Group Corporation to jointly establish an investment company and then have this investment company directly acquire the shares of IRICO Group Corporation in IRICO Screen Plant. IRICO Group Corporation will retain 20 shares.

(II)Personnel Status and Resettlement Opinions:

1. All 159 fixed employees of IRICO Screen Plant will dissolve their labor contracts with IRICO Group Corporation and IRICO Group Corporation shall pay the economic compensation.

2. For employees entering the reformed company, they shall sign a labor contract of no less than three years with the new company.

(III) Total amount and source of economic compensation

As of 2003 October 31, the total economic compensation funds are initially calculated to be 8574184 yuan.

(IV) Handling credit rights and debt obligations

The existing creditor's rights and debts are enjoyed and assumed by the restructured company

(V) Land use rights

After the reform, the company will obtain land use rights by way of lease.

- 2. Initial Reform Plan of IRICO Fluorescent Materials Ltd. Co.
- 3. Initial Reform Plan of Caigin Electronics Co.

Restructuring and diversion of company (2) and (3) will follow the mode of IRICO Screen Plant

- 4. Initial Reform Plan of IRICO Materials Co.
- I. Company's Basic Situation (see Attachment III)

II. Overall Idea of the Reform Plan

To change the Material Company's function of managing the Group Corporation while engaging in business activities, so as to transform the company into a diversified and standardized company-owned enterprise that is owned by the operators and employees. Then operate the company through an agency procurement and other agreements between the Group Corporation and the joint stock company.

III. Initial Plan

- 1. Dissolve the labor relations between IRICO Group Corporation and its employees, and pay them economic compensation. Within 30 days of the establishment of the new company, have the employees sign a labor contract of no less than three years with the new company;
- 2. Form an independent limited liability company on the basis of the current company. Based on the employees' willingness and ability to invest, IRICO Group Corporation will choose to completely withdraw its shares or keep its shareholding position in the new company (the shareholding ratio shall not be higher than 20%). Allow employees to invest in the new company with the economic compensation;
- 3. The new company will conclude agency agreements and other legal documents with IRICO Group Corporation to clarify the rights and obligations of both parties. IRICO Group Corporation will provide some level of support for a certain period of time.
- 4. After the restructuring, the company shall pay IRICO Group Corporation for the use of its buildings and will be given discounts for a period. After the expiration of the preferential period, the rental fee will be paid according to the market price.
 - 5. The existing creditor's rights and debts are assumed by IRICO Group Corporation.

5. Initial Reform and Redistribution Plan of IRICO Sales Co.

For the overall idea of the restructuring and diversion of the two abovementioned companies under the reform plan, refer to the restructuring model of the Material Company.

6. Reform Idea for IRICO Three Productions Corporation

I. Company's Basic Situation (see Attachment III)

II. Reform Plan

As there are many subsidiary companies under the Three Productions Company and the situation varies for each company, the restructuring and diversion approach for each company should be differentiated. However, from the perspective from the parent company level, the restructuring and diversion work should focus on the following points:

- 1. The Three Productions Company handles the situation of its various subsidiaries differently according to the situation, and re-optimizes the allocation of resources through various methods such as cancellation, equity diversification, merger, leasing, and sales; and expands the service market and strengthens internal management to achieve healthy development.
- 2. The Three Productions Company itself will also undergo a company restructuring. Employees of the Three Productions Company will be allowed to hold shares and IRICO Group Corporation will completely withdraw. Even if the conditions for a complete withdrawal are not met, diversification of property rights will still be realized. IRICO Group Corporation will maintain a shareholding position but its shareholding ratio shall not be higher than 20% in principle.
- 3. Through support in resource allocation and project support, the Group Corporation will help the Three Productions Company transform via the restructuring and diversion, so as to send the Three Productions Company down the track towards a virtuous cycle of healthy development.
- 4. There state-owned allocated land of IRICO Group Corporation currently used by the company, if the land use will not be changed after the reform, the land can continue to be used by way of allocation after consultation with the Xianyang Land Management Department.
- 5. There are a total of 530 fixed employees, all of whom have cancelled their labor contract with IRICO Group Corporation and received economic compensation accordingly. The amount of economic compensation was initially estimated to be 22,776,254 yuan. Within 30 days of the establishment of the new company, employees will sign a labor contract of no less than three years with the new company.

7. Reform idea for the Labor Services Company

I. Company's Basic Situation (see Attachment III)

II. Reform Plan

- 1. First of all, define the property rights of the company's assets in accordance with the relevant provisions of the "Interim Measures for the Definition of Property Rights of State-Owned Assets and the Resolution of Property Rights Disputes" and the "Interim Measures for the Definition of Property Rights of State-Owned Assets of Collective Enterprises".
 - 2. After defining the property rights relationship, the existing fixed employees of the Labor Services Company of the

will be paid economic compensation and encouraged to use the compensation as investment funds in the reformed enterprise. Large collective workers will be paid economic compensation in reference to fixed employees. After employees receive the compensation, they may sign a labor contract of no less than three years with the new Labor Services Company. There are currently a total of 111 fixed workers and the amount of economic compensation is initially estimated to be 6,179,600 yuan.

- 3. With regards to net assets belonging to the Group Corporation in the Labor Services Company, the Group Corporation will solve the problem by way of selling, leasing or equity participation. The shareholding ratio shall generally not be higher than 20%.
 - 4. The name of the Labor Services Company will be changed to facilitate participate in market competition.

8. Wholistic Reform Idea for the Subsidiaries under Three Productions Company and the Labor Services Company The overall idea of the reform plan is: to comprehensively sort the subsidiaries managed by the Third Industry Company and the Labor Services Company according to their nature, business, personnel and asset correlation. The business-type units and non-operating units will be divided on this basis and the nature of the units will be clarified to determine the development direction and supporting policies. Some of the non-operating units can directly fall under management of the group company. Restructure and optimize the assets, businesses and personnel of the subsidiary business-type units and integrate resources to improve the market viability of the restructured enterprises and thoroughly solve the long-standing serious horizontal competition and the division of resources within IRICO Group Corporation, while preventing new cases of enterprise performing

9. Reform Idea for IRICO Advertising Co.

10. Reform idea for IRICO Renovation Co.

- 1. Reform conditions of the two above companies: IRICO Advertising Co. and IRICO Renovation Co. are currently operating in a personal contracting manner with market viability, no external liabilities, and small asset scale, and thus meet the conditions for a restructuring.
- 2. Reform plan: After replacement of the identity of the existing contractor, the company will receive shares of IRICO Group Corporation according to the assessed net asset value and convert the company into a limited liability company.

11. Reform and Redistribution Idea for Haikou IRICO Hot Spring Hotel

I. Company's Basic Situation (see Attachment III)

II. Reform Idea

social functions.

(1) Through marketization operations, the hotel will be sold or a strategic partner will be sought to jointly operate the hotel. Operations can also be launched under lease or subcontracting to reduce losses;

(2) If the existing assets cannot be revitalized, then bankruptcy liquidation shall be carried out according to law and the employees of the company shall be settled with the bankruptcy property.

12. Reform and Redistribution Idea for Xi'an IRICO Electric Industrial Co.

I. Company's Basic Situation

The company's main business has a low degree of relevance to the Group Corporation, and business has ceased due to legacy problems from the original merger and acquisition of the company. At present, there are 1373 fixed employees and the Group actually pays living expenses of more than 20 million yuan every year. Up to now, a total of nearly 100 million has been paid and this has become a heavy burden to IRICO Group Corporation.

II. Solution Plan:

- 1. First of all, the land use rights certificate should be changed through consultation or legal means to determine the ownership of the property rights and to prevent illegal encroachment of the land;
- 2. Strive for local government support, consolidate the land assets and use the realized funds to once and for all resettle the employees of the original company;
 - 3. In addition, bankruptcy liquidation can also be used to solve the above problems.

13. Reform and Redistribution Idea for IRICO School

I. Basic Situation (see Attachment III)

II. Existing problem

IRICO School is among the best in Xianyang City and even Shaanxi Province. Its high school is especially well-known; however, due to restrictions from the current system and school buildings, it is unable to fully utilize its resource advantages. The local government is not enthusiastic about taking over the elementary and middle schools, which are the stages of compulsory education, and has even requested IRICO Group Corporation to bear the expenses indefinitely.

III. Reform Plan

Given the above situation, the separation of IRICO School should fully embody the spirit of the "Decision of the State Council on Basic Education Reform and Development" and continue to negotiate with the local government to transfer the management of IRICO middle and elementary school to the local government. IRICO Group Corporation and the local government can assume the educational costs jointly and make the transition year-by-year.

If the local government refuses to receive the schools, the school should strive to get the government to return the education surcharge (IRICO Group Corporation pays an annual education surcharge of approximately 5 million yuan) or strive to obtain the government's support for IRICO Group Corporation to continue to run the school, so as to reduce the burden on the company.

As the high school part of IRICO School is not in the compulsory education stage, the school can be operated jointly with societal forces, attract foreign capital, implement privatization and industrialization, and reform the current school system. At present, some units are inquiring about investment intentions and the solution plan is being communicated to the education department of the Xianyang City Government.

IRICO Group Corporation will promote the separation of the school from the Group in light of the specific circumstances, so as to ensure that it does not affect the schooling of students, the order of teaching, the quality of teaching or the implementation of school funding.

14. Reform Idea for IRICO Hospital

I. Basic Situation (see Attachment III)

II. Current problem

The layout of the hospital is unreasonable and the competition is fierce and large and inclusive. There is no obvious competitive advantage; the salary incentives for high-level, core medical staff are not sufficient and brain drain is severe.

III. Reform Plan

The separation of IRICO Hospital should be carried out in accordance with the "Guiding Opinions on Urban Health System Reform", combined with the reform of the urban employee medical insurance system, and on the basis of continued implementation of the Group Corporation's medical reform policy.

There are three specific ways of separation: 1) separate it from the Group and implement industrialized operation, allowing existing employees of the hospital to invest in the hospital after changing their status; 2) in consultation with the local government, transfer the hospital assets and personnel to the local government, after which it will be under the management of the local government; 3) until the conditions for separation are met, cooperate with social investors to establish an independent legal entity.

After the separation of the hospital, the relevant operation funds will be handled in accordance with the Group Corporation's current medical reform policy. A consecutive three-year transition period will be calculated and the funds would decrease year by year.

15. Training Centers (including IRICO Vocational College, IRICO Secondary School and IRICO Technical School)

I. Basic Situation (see Attachment III)

II. Reform Idea

IRICO College and IRICO Secondary School are a part of the societal work of the company and their survival has become a problem; therefore this function should be stripped off. As a technical training base for the Group, IRIC Technical School can be kept, and the method of operation of the institution can be "business-oriented and government-supported". The technical school can also be operated via joint operation with various parties in the community.

With regards to the surplus housing of the IRICO Training Center, these can be used as expansion school buildings of IRICO High school, used for investment, or leased to IRICO School after the reform.

Section 4 Organization and Implementation of Separation, Restructuring and Diversion of Principal and Secondary Businesses

I. Working Principles and Main Measures for the Implementation of the Separation, Restructuring and Diversion of IRICO Group Corporation

In accordance with the spirit of the re-employment policy in the already-issued national document No. 859 and General Secretary Hu Jintao's speech at the national re-employment symposium this year, IRICO Group Corporation will implement the separation, restructuring and diversion of the company according the principles of "taking the job position to enter the market", and do its best to digest diverted personnel internally within the group and not socialize employment conflicts. It will also enhance its competitiveness by increasing the intensity of the property rights reform of its auxiliary enterprises, absorb and place more new employees from society and ease the pressure on employment in society. Therefore the separation, restructuring and diversion of the company shall be implemented in accordance with the following principles:

(I) Working Principles for the Implementation of the Separation, Restructuring and Diversion of Principal and Secondary Businesses

- 1. Handle the relationship between reform, development, and stability properly, fully consider the affordability of enterprises, employees, and society, make overall plans and implement them step by step to ensure stability;
- 2. Implementing structural adjustments via the restructuring and diversion of IRICO Group Corporation, restructure and combine the main businesses of IRICO Group Corporation, match the national industrial policy, which is conducive to accelerating the development of enterprises and promote the optimization of the corporate asset structure, organizational structure and personnel structure;
- 3. The implementation of the restructuring and diversion should be in accordance with the law and the standard operation should adhere to the principles of openness, fairness and justice, safeguard the legitimate rights and interests of the state, enterprises and employees, prevent the loss of state-owned assets and the escape of debts;
- 4. Adhere to the principles of "positivity, prudence, overall planning, progressive advancement and step-by-step implementation" and wait for the conditions to mature for the reform to ensure the reform successfully transforms the mechanism and promotes the optimization of structural adjustment of the main enterprise;

(II) Main Measures for the Implementation of the Separation, Restructuring and Diversion of Principal and Secondary Businesses

- 1. Strengthen the implementation of work and personnel of organization leadership and departments. In order to strengthen the leadership and organization of system-wide auxiliary business restructuring and diversion, in accordance with the requirements of State Economic and Trade Enterprise Reform Document [2003] No. 27, the Group Corporation established a restructuring and diversion leading group with the general manager as the team leader and with the participation of the enterprise management office, planning department and human resources department. The restructuring units have also clarified the specific responsible departments and personnel and the division of labor required to complete the restructuring and diversion work.
- 2. In accordance with the spirit of Document No. 859 and its supporting policies and in combination with the specific situation of the Group Corporation, prepare the auxiliary business restructuring and diversion plan for relevant units for this year and request each unit to breakdown and implement the plan according to the actual situation and actively promote the plan.

- 3. Make key breakthroughs and guide the situation through key areas to actively and steadily promote the restructuring and diversion work for auxiliary businesses. The restructuring and diversion leading analyzed the enterprises directly under the company and determined that Shenzhen IRICO Electronics, IRICO Construction Engineering and other companies would be the first batch of companies to undergo the restructuring. At the same time, it will summarize experiences and compile samples of the restructuring plan to provide guidance to other units for their formulation of restructuring and diversion plans for auxiliary components. In this way, the intensity of efforts will increase while training a group of workers and employees who have a good grasp of policy and are skilled.
- 4. Establish a monitoring mechanism to check the progress of the restructuring and diversion work for auxiliary businesses. Establish a regular reporting system for the progress of the reform of the auxiliary industry and grasp the progress of work and problems encountered in a timely manner. This will not only urge the enterprise to advance the work, but will also promptly provide guidance to solve the problems that are encountered.
- 5. In order to ensure the orderly operation of the restructuring and diversion work, IRICO Group Corporation hired Beijing Dentons Law Offices as the chief legal counsel for the separation and restructuring of IRICO Group Corporation. It is responsible for planning, coordinating and promoting the separation of all main and auxiliary businesses. The measures for separation and restructuring of the diversion work are mainly based on the degree of conditions for the restructuring of the enterprises that need to be reformed, in accordance with the principle of restructuring when maturity is reached. For those components that do not meet the conditions, it is necessary to clarify the restructuring plan as soon as possible to ensure that the enterprises undergoing restructuring can achieve the purpose of the reform smoothly and properly divert and resettle personnel.

II. Organization and Implementation of the Separation, Restructuring and Diversion of IRICO Group Corporation

(I) Institutions involved in the Organization and Implementation of the Separation, Restructuring and Diversion of IRICO Group Corporation

In order to strengthen the leadership for the separation and restructuring of the company's main and auxiliary components, IRICO Group Corporation has established a restructuring and diversion leading group composed of the following personnel:

Team leader: Ma Jinquan (general manger), Deputy team leader: Tao Kui (Party Secretary of the Group), XING Daoqin (deputy general manager), NIU Xin'an (deputy party secretary and chairman of the labor union of the Group)

The members of the leading group are composed of the persons mainly responsible for relevant functional departments, such as enterprise management, personnel, finance and other relevant functional departments of the group company. The leading group has an office and is responsible for coordinating the organization and implementation of daily work.

Specific personnel are: director: Niu Xin'an (deputy); deputy director: Xu Quancheng, Zhang Zhankui, Wang Ximin, Fu Jiuquan, Ji Xingxi, Xu Zhendong, Wei Xiaojun; members: Gao Zhanmin, Yang Yixing, Wang Jun, Zhang Wenyan, Lan Yaoping, Song Wenbin, Pang Jun

(II) Decision Making Process for the Separation, Restructuring and Diversion of IRICO Group Corporation

IRICO Group Corporation will be responsible for organizing and implementing the separation, restructuring and diversion of the main and auxiliary components. The internal agenda of IRICO Group Corporation for the separation, restructuring and diversion of the main and auxiliary components are:

(1) The general manager's office of the Group Corporation will pass a resolution to determine the scope of the main and auxiliary business and the main and auxiliary business units that are proposed to undergo restructuring and diversion, and will formulate the overall plan that will be reported to the SASAC, Ministry of Finance, Ministry of Labor and Social Security Department for joint approval;

- (2) In accordance with the above mentioned joint approval, the main and auxiliary business units that are proposed to undergo restructuring and diversion will carry out propaganda and mobilization to make all employees understand the necessity and principles of the reform and the various requirements of national laws, regulations and policies, so as to obtain their understanding, support and participation. Convene an employee representative assembly to consider and approve matters concerning the diversion and resettlement of employees and the disposition of assets for the resettlement of employees;
- (3) Through the development and planning department of the Group Corporation, the auxiliary business units that are planned to undergo restructuring and diversion will propose a specific restructuring and diversion plan to the Group Corporation.
- (4) The general manager's office of the Group Corporation will review and approve the restructuring and diversion plans of auxiliary components one by one.

(III) Implementation Procedures for the Separation, Restructuring and Diversion of IRICO Group Corporation

- (1) Clarify the property rights, that is, clearly define the property rights of the assets of the units undergoing restructuring and diversion. Since most of the auxiliary units of IRICO Group Corporation are wholly state-owned enterprises, or joint-stock companies or limited liability companies under the modern company system, the property rights of the great majority of auxiliary business units are clear. With regards to the to-be-restructured units that have unclear ownership or have property rights disputes (such as IRICO Labor Services Company), it is necessary to first define the property rights or resolve the disputes in accordance with relevant state regulations;
- (2) Asset and capital verification and auditing. Carry out a comprehensive inventory check on all types of assets of the reformed enterprises, including various assets, claims and debts, and prepare balance sheets and property inventory as of the date of the reform. IRICO Group Corporation will then entrust an intermediary to perform an audit on the results of the asset and capital verification;
- (3) Asset evaluation. IRICO Group Corporation will entrust a qualified asset evaluation agency in accordance with the "Administrative Measures for the Assessment of State-owned Assets" (Order No. 91 of the State Council on 1991 November 16), the "Regulations on Several Issues Concerning the Evaluation and Management of State-owned Assets" (Order No. 14 of the Ministry of Finance on 2001 December 31) and other relevant regulations to evaluate all assets involved in the restructuring of the enterprises;
- (4) Handle labor relations. If undergoing restructuring and diversion through the company system, the company shall change or terminate its labor contracts with its employees and change or re-sign labor contracts for three years or more. Employees will also be paid economic compensation in accordance with national regulations and relevant regulations;
- (5) Asset disposal and capital contribution. In accordance with the specific restructuring and diversion plans, the assets of the state-owned enterprises will be sold, leased, capital contribution or transferred into creditor's rights. With regards to auxiliary units that undergo the company's system reform, the result of the asset evaluation will be used as the basis for IRICO Group Corporation's capital contribution in the reformed enterprise. At the same time, the other shareholders of the company will also contribute capital to the company;
 - (6) Establishment and registration of companies;

- (7) Registration of state-owned property rights;
- (8) Restructure management and interfacing work at the region of the company. If the restructured company is not a state-owned enterprise, it will be necessary to carry out handover work such as maintaining a good relationship with the party and organizations of the local government, social insurance relationships with workers, manage employee files and assess job titles, etc.;
- (9) Disposal of stripped assets. Assets that have not been included in the scope of restructuring after the completion of the restructuring of the enterprise will be divested and used to form an enterprise legal person, which will be independently accounted for and operated according to law. Divested assets that do not meet the conditions for operation should be sold, leased or transferred to the local government for free. Any divested assets that cannot be disposed of via the above methods can be managed by the continuing enterprise or directly managed by IRICO Group Corporation.

(IV) Operating Guidelines for the Separation, Restructuring and Diversion of IRICO Group Corporation

- 1. In the spirit of the 2002 National Re-employment Conference and the 2003 National Re-employment Seminar, and on the basis of Document No. 859 and other supporting documents, operations will be carried out according to the specific situation of IRICO Group Corporation;
- 2. National laws and regulations on management of state-owned assets will be strictly implemented to prevent the loss of state-owned assets. State-owned assets shall not be sold at low prices, converted into shares at a low price, or transferred to operators and other employees or individuals at a low price;
- 3. The norms of the General Principles of the Civil Law, Contract Law and other civil law shall be strictly abided by to effectively safeguard the legitimate rights and interests of creditors and other related parties, do a good job in clearing creditor's rights and debts in the process of the restructuring and diversion, implement debtors and creditors and to not use the restructuring as a chance to evade the debt owed to banks and other creditors;
- 4. In accordance with the relevant national policies on re-employment and labor and social security policies and laws, properly resettle surplus personnel of the diverted enterprises to reduce the pressure of employment on society and ensure stability;
- 5. In accordance with the Company Law and other legal norms, transform the restructured and diverted enterprises into modern corporate enterprises with diversified property rights, a well-established corporate governance structure, and market competitiveness;
- 6. Plans affecting the resettlement and diversion of employees should be reviewed and passed by the employee representative assembly before implementation.

Attachment II Development Strategy of IRICO Group Corporation

Strategic Positioning and Development Plan of IRICO Group Corporation (Summary)

I. Market Environment and Competition Faced by IRICO Group Corporation

1. Overall situation of the CRT industry

Although CRT has a relatively good price/performance ratio and still has room to survive for a long period of time, its market space is relatively saturated and the overall situation of the industry is not optimistic. Thus it is called a "sunset industry" in the industry.

2. The situation of the CRT market in the world

At the end of 2001, there were about 22 companies engaged in CRT manufacturing in the world, with about 70 plants, 250 production lines, an annual production capacity of 300 million, and global market demand of more than 250 million.

Compared to the giants in the industry, IRICO Group Corporation's global market share is still at a relatively low level.

3. Overall situation of the domestic CRT market

At present, there are 12 companies in the CRT industry in China. As at the end of 2002, there were about 39 CPT production lines and the annual production capacity was about 50 million. There were about 21 CDT production lines and the annual production capacity was about 37.4 million.

Overall, the production capacity of domestic CPT has far exceeded the demand of the domestic color TV consumer market.

- 4. IRICO Group Corporation faces severe market competition pressure
- (1) The situation of oversupply in the CPT market will intensify

Due to a period of short supply in the domestic CPT market in 2002 and good expectations for the market in 2003, companies are trying to increase production lines or expand production. It can be foreseen that the situation of oversupply in the domestic CRT market will intensify, which will inevitably lead to more intense competition.

(2) Threats of market competitors

There are 12 companies in China's CPT industry, of which 9 are sino-foreign joint ventures or wholly foreign-owned enterprises. Among the other 3 companies, only IRICO Group Corporation is a state-owned company.

Since China joined the WTO, major international companies that produce color display devices have all entered China and compete directly against IRICO Group Corporation, posing a direct threat to IRICO Group Corporation. A collectivization pattern of competition has taken shape.

Although IRICO Group Corporation is temporarily in a leading position in the domestic market, it is not the industry leader. Beijing Matsushita, Shanghai Novotel, LG Shuguang and other enterprises have stepped up to seize market share and the market shares of these companies are all at 11% or higher, which poses a strong challenge to the status of IRICO Group Corporation.

(3) High exit barriers in the industry have resulted in increased competition rigidity

Due to the large amount of investment required for the CPT industry, the long cycle, requirement for many special equipment and assets, low disposal value and requirement for many employees, the exit barrier of the industry is very high. This will undoubtedly increase the rigidity and intensity of competition

(4) Threats of Replacements

Since the second half of the 1990s, new technologies such as flat panel display devices (FPDs) have been developed rapidly. In addition, due to the development of large-scale integrated circuits and the application of computers and digital technologies, this has caused the development of color TV technology to go towards the direction of big, flat and ultra-thin screens. The development of new display devices such as LCD and PDP have had a huge impact on the traditional CPT market and will greatly shorten the life cycle of CPT products. At present, the main products of IRICO Group Corporation are concentrated in the traditional CPT field and the pressure on the development of such alternatives is also the biggest and most direct.

II. Strategic Positioning of IRICO Group Corporation

- 1. Industry and product positioning
- (1) Limitations of IRICO Group Corporation's industry and product positioning

IRICO Group Corporation's existing resources are almost exclusively concentrated in the existing CRT products (mainly CPT products). The company has a very weak foundation in new display device technology and product development. In addition, these new display devices require a huge investment, and this it has limited the development of IRICO Group Corporation in this field.

(2) Market prospects of IRICO Group Corporation's industry and product positioning

Although the competition is fierce in the CRT and especially the CPT industry, **CPT products still have a large market** development space and **CPT technology still has a long time to survive.**

- (3) Resources and advantages of IRICO Group Corporation
- 1) IRICO Group Corporation has the advantage of having management and technological talents
- 2) It has formed a vertically integrated component system and has cost advantages
- 3) It has a certain degree of financial strength and has expanded financing channels.

According to the above analysis, IRICO Group Corporation's industry positioning and product positioning should be based on the existing CPT product field. The realistic choice for IRICO Group Corporation is to implement existing products and relevant diversification on this basis and at the same time, closely track new display device technologies and products to enter new product areas at the right time and thus realize structural adjustments of industries and product.

- 2. Development strategy of IRICO Group Corporation
- (1) Overall development strategy

The overall development strategy of IRICO Group Corporation is: to implement a total cost leadership strategy with existing display devices as the focus to realize the industrialization of components to become stronger and enlarge the principal business. Actively track, research, and analyze technologies and products in the field of new display devices and enter in a timely and steady manner to achieve industrial and product structure adjustments to make IRICO Group Corporation into China's strongest and largest display production and R&D base with diverse products, large scale operation and modern management.

- (2) Basic competitive strategy: Total cost leadership strategy and related diversification strategy
- 1) IRICO Group Corporation will adopt the overall strategy of taking the lead in the main business, that is the traditional CRT product field (mainly CPT) and will adapt it into the basic competitive strategy of the company.
 - 2) Adopt related diversification strategies in the field of new display devices.

In order to solve the future development problems of IRICO Group Corporation, the company will need to adapt an active tracking strategy in the field of new display devices and implement related diversification strategies. There are two main ways to achieve this: firstly, by closely tracking and researching the development trend of new technologies and new products in the field of new display devices and then making a timely entry into the field; secondly, take advantage of the timing of adjustment of the time when the foreign display device industry makes structural adjustments and specializations to implement strategic cooperation with multinational display device companies, so as to gradually participate in the value chain of new display devices by providing professional support and other means, and in this way achieve structural adjustment of the industry and products.

- (3) IRICO Group Corporation can implement the total cost leadership strategy in its medium and long-term strategic planning to build core competitiveness with the lowest cost and lay the foundation for realizing the scale of operation. It can also implement related diversified business strategies and seek and develop new economic growth points for IRICO to create a new pillar industry.
- (4) The target of the medium and long-term strategy is to develop IRICO Group Corporation into the most powerful and largest display device production and R&D base in China with diversified products, large-scale operation and modern management, and a world-class and internationally renowned large enterprise, so as to lay a solid foundation for the long-term goal of making IRICO stand tall for 100 years.

Attachment 3 Participants in the Restructuring and Diversion Plan and their Basic Situations

I. Units undertaking corporate social functions

1. IRICO School

The school has a primary school section, junior secondary section and high school section. 223 staffs are employed, of which 192 are teachers, 27 are teaching assistants, 4 are principals and vice principals. The ratio of teachers to non-teaching staff is 7.1:1. The school operates on a contracting basis for its staff while teachers are employed.

The school's various fixed assets amount to 9.3223 million yuan. The school's operations require 9.1 million yuan per year. 6.35 million yuan is allocated by the Group Corporation and 2.75 million Yuan is raised by the school.

2. IRICO Hospital

IRICO Hospital was established in 1978 and was rated as a Class IIA hospital in 1995. Xianyang City has defined it as a "non-profit hospital".

Personnel situation: 150 fixed employees.

IRICO Group Corporation's support for the hospital: Allocation of 5 million yuan in 2002, allocation of 3 million yuan in 2003, planned allocation of 1.5 million yuan in 2004, after which it will be pushed fully on the market.

3. Training Center: includes IRICO Vocational College, IRICO Secondary School and IRICO Technical School

The training center is under the human resources department of IRICO Group Corporation and is mainly responsible for on-the-job training, qualification education and pre-job training. The training center currently has 40 fixed employees, of which 22 are teachers and 18 are management staff. IRICO Vocational College, IRICO Secondary School and IRICO Technical School are under the training center and fees are subject to revenue and expenditures. In 2002, the Group Corporation disbursed budget of 3.43 million yuan and took in 950,000 yuan for various fees.

II. Auxiliary units relatively concentrated at Comprehensive management companies

The auxiliary business units in Xianyang City are mainly concentrated in two companies, IRICO Three Production Company and Labor Services Company

1. Basic situation of IRICO Three Production Parent Company

Shaanxi IRICO Three Production Company (hereinafter referred to as the company) was established by IRICO Group Corporation in April 1994 to fundamentally solve the problem of "enterprise performing social responsibilities". It is a wholly owned subsidiary of IRICO Group Corporation but it actually still assumes some of the management functions of the Group Corporation.

Internal organization and structure: A total of 4 production plants, 8 business-type service units and 2 charity business units.

The company is generally not competitive in the market and the business income comes mainly from the Group Corporation.

As of June 2003, the company had a total of 1280 employees (excluding laborers in horticultural companies and around 50 employees working in an electronic packaging materials plant, bracket plant, chemical materials plant, labor insurance product plant and the head office), of which 530 were fixed employees.

As of 2002 December 31, the total assets of Three Production Company amounted to 59,925,425.32 yuan, with debts of 23,727,912.54 and owners' equity of 36,197,512.78 yuan.

5. IRICO Labor Services Company

IRICO Labor Services Company mainly provides IRICO Group Corporation with internal shielding, electronic shielding, tube base, casings, bubble holders and other products, as well as printing under the IRICO trademark, glass bulb recycling, grinding, food stores and other similar services.

There are 728 registered workers, of which 386 are fixed employees (111 are fixed employees in IRICO Group Corporation, 275 are collective laborers), 146 have retired and 275 have internally retired.

As of 2003 June 30, the total assets was 80.51 million yuan, current assets was 61.91 million yuan and fixed assets was 18.6 million yuan.

III. Benefits-type logistics service units

6. IRICO Kindergarten (managed under IRICO Three Production Company)

IRICO Kindergarten is a benefits institution of the Group Corporation and is mainly enrolled with the children of the Group Corporation's staffs. It is under IRICO Three Production Company and is an advanced kindergarten of China. There are currently 190 employees, of which 112 are fixed employees. A total of 2.8 million yuan is paid in wages to employees every year and 2 million yuan is paid for management fees. The total expenses require 7 million yuan per year including the above and water, power, heating and other expenses. The kindergarten has revenue of around 1.4 million yuan, so has a budget gap of 5.6 million yuan which the Group Corporation spreads among beneficiary units. At present, the kindergarten's profit making ability is increasing due to the launch of special kindergarten teaching activities.

7. Public welfare facilities (managed under IRICO Three Production Company)

The units include a property management office, culture and sports management office, shuttle bus team and bowling alley.

There are 13 fixed employees in the property management office and 24 workers on short-term contract workers.

The culture and sports management office has a club, sports center and swimming pool. There are 12 fixed employees.

The shuttle bus team has 6 vehicles with 6 drivers, 3 ticket sellers and 1 short-term contract worker.

The bowling alley has 10 fixed employees and 30 short-term contract workers.

8. Property management center (managed under IRICO Three Production Company)

The center mainly collects the water and power fees of residents and has some overlap in function with the construction and horticultural company. At present, the center's total assets are 1,026,659.57 yuan; there are 12 fixed employees and 3 short-term contract workers.

9. Communication station and shuttle team under the operations office (operations office belongs to IRICO Three Production Company)

The communication station and shuttle bus team are currently operated in a contracting manner. The communication station mainly uses paging and intra-group telephones for its business and the paging service has basically been suspended. The internal telephone service has also been impacted heavily by social communication companies. The shuttle team has a small market and cannot survive independently. The communication station has 26 fixed employees, 2 short-term contract workers; the shuttle team has 10 fixed employees (1 person on awaiting job post) and 2 short-term contract workers.

10. Grain store under the Labor Services Company, self-selected shops, vehicle team

The grain store is operated for a policy nature and mainly provides IRICO employees with grain and oil products. It has always been making a loss and makes a loss of about 100,000 yuan every year. There are 10 workers, of which 9 are fixed employees.

The self-selection shop basically break even. There are about 20 fixed employees.

The vehicle team provides vehicle services to the Labor Services Company. It has 3 dump trucks, 4 sedan cars and 1 shuttle bus.

III. Operational logistics service units

11. IRICO Hotel (managed under IRICO Three Production Company)

IRICO Hotel is under Three Production Company and its main source of business and income is accommodation and conference functions. The absolute in-plant spending accounts for 17%~21% and market consumption related to the factory accounts for about 10%, the remaining is from customers on the market. As of the end of June 2003, the total net assets of the hotel were 10,564,608.43 yuan. The hotel has 204 workers, of which 58 are fixed employees who have signed a labor contract with IRICO Group Corporation.

12. IRICO Reception Center (managed under IRICO Three Production Company)

The main business and income of IRICO Reception are: accommodation, dining and beverage, undertaking small conferences, holding training classes. It has an annual income of about 4 million yuan and the revenue from dining and beverage accounts for 55% of this. As of the end of June 2003, the total net assets of the reception were 2,357,766.96 yuan. It has 103 workers, of which 19 are fixed employees who have signed a labor contract with the main plant.

13. Commercial drink company (managed under IRICO Three Production Company)

It has living stoves, cold beverage plants, pools and supermarkets under it. Main business: provide services related to living. From 1995 to 2000, a portion of the workers tried to make their own way. The enterprise profit index is 400,000 yuan in one year. As of the end of June 2003, the total net assets were 5,263,077.84 yuan. There are 163 workers, of which 58 are fixed employees (38 are currently on duty and 11 are engaged in self-employment). All of them signed contracts with the main plant.

14. Vehicle repair factory, advertising company, renovation company, comprehensive market at Qilipu under the Operations Office

At present, the advertising company, renovation company and vehicle repair factor is operated by personal business contracting. There are 4 fixed employees who work in the comprehensive management office (includes Qilipu comprehensive market where one person is on standby); there are 8 fixed employees at the vehicle repair factory, 4 fixed employees at the renovation company, and 5 fixed employees at the advertising company (operated by one person). The fixed employees mentioned above signed labor contracts with the main plant.

15. IRICO Electronic Devices (managed under IRICO Three Production Company)

This company mainly serves the main plant internally and undertakes the sporadic non-bulk and non-scale business to meet production needs. It takes internal factory orders and makes procurement in the market. Its profit is less than 5%. Assets: as of the end of June 2003, the total net assets were 108,699.12 yuan. Personnel situation: there are a total of 43 workers, all of which are fixed employees; 20 of them work in the office and 23 operate independently and pay management fees. The above employees all signed labor contracts with the Group Corporation.

16. Construction and horticulture company (managed under IRICO Three Production Company)

The main business of this company is the greenification and environmental protection of the production areas and living areas of the company. It also undertakes some construction and maintenance projects. Its total net assets are 3,298,280.38 yuan. The company currently has a total of 428 people: 113 fixed employees, 20 short-term contract workers and 295 laborers.

17. Labor insurance products plant (managed under IRICO Three Production Company)

Its main business and income come from the business of gloves and clothes cleaning. 95% of its business comes from the company and 5% is from external customers. In 2002, its operating revenue was 3.3 million yuan and its expected revenue for 2003 is 4 million yuan. The profit margin is about 5%. As of the end of June 2003, the total net assets were 120,765 yuan. It has 11 fixed employees and 59 short-term contract workers. 2 of the fixed employees are affiliated, have signed agreements, do not receive a wage, and personally assume their expenses and liabilities.

18. Trademark plant and printing plant under the Labor Services Company

The trademark plant mainly provides IRICO with trademark printing services and makes revenue of about 300,000 per annum. It has 10-plus fixed employees.

The printing plant mainly provide IRICO Group Corporation with internal printing services and makes just enough to maintain its operations. It has 20 or more fixed employees.

IV. Enterprises that provide supporting products or services

19. Shenzhen IRICO Electronics (one of four restructuring pilot units)

20. IRICO Net Plate Plant

Full name is IRICO Electronics Net Plate Plant (Originally IRICO Shadow Mask Branch Plant), this company is under IRICO CRT Main Plant. It mainly produces 37CM and 56CM flat screen shadow masks for CRT Plant No. 1 and all its products are sold to the Group for tube plants.

Net Plate Plant has 59 fixed employees.

As of 2003 October 31, its total assets were 18,654,057.40 yuan

21. IRICO Fluorescent Materials Ltd. Co

IRICO Group Company is the controlling shareholder of IRICO Fluorescent Materials Ltd. Co. The company was established on 1995 December 5 with a registered capital of 90 million yuan. The company mainly does business in three-color phosphors and raw powder used for color tubes and displays, and sells its own products. As of 2002 December 31, its total assets were 171,093,575.55 yuan, total liabilities were 45,459,952.82 and owners' equity was 123,735,183.15. The company currently has 240 fixed employees.

22. Xianyang Caiqing Electronics Company

Xianyang Caiqing Electronics Company was created after Xianyang Caiqin Electronics Devices Plant was restructured in July 2000. The company produces and sells nails, anode caps, stent glass rods and glass powder. As of 2003 October 31, the company's total assets were 66,500,336. 21 yuan, liabilities were 26,145,267.23 yuan and owners' equity was 40,355,068.98 yuan. The company has 294 workers, of which 240 are fixed employees.

23. IRICO Electronic Packaging Material Factory (also known as IRICO Bubble Factory, managed under IRICO Three Production Company)

It mainly does business internally with the Group Corporation and makes 54cm and 64 cm bubble brackets for the share company, as well as refines sulfuric acid and high concentration hydrochloric acid for Fluorescent Company. Its assets are 4,300,000 yuan mainly due to the machinery and equipment. It has 30 fixed employees who have signed labor contracts with IRICO Group Corporation.

24. IRICO Bracket Plant (managed under IRICO Three Production Company)

It mainly does business internally with the company's plants and earns the difference after recovering old brackets and manually repairing them, exclusively supplies the Group. The Plant's current fixed assets are 530,000 yuan, of which property and buildings account for 337,000 yuan, machinery and equipment account for 47,000 yuan, electronic devices account for 70,000 yuan and transport equipment accounts for 75,000 yuan. There are currently 115 workers, of which 48 are fixed employees, 5 have taken long leave and 67 are on short-term contracts.

25. IRICO Chemical Plant (managed under IRICO Three Production Company)

The Chemical Plant mainly produces and supplies chemical products such as insulating liquid and water-soluble adhesives, etc. In 2002, the output value was 2.49 million and profit was 240,000 yuan. As of the end of June 2003, the total net assets were 1,360,779 yuan and non-performing assets were 174,532 yuan. The Chemical Plant has 21 fixed employees and 9 short-term workers.

26. IRICO Television Accessories Plant (part of the Labor Services Company)

The plant mainly produces inner screens for IRICO Color Tubes and has an annual income of 18 million yuan. It is the main source of revenue of the Labor Services Company. There are currently 120 fixed employees.

27. Plastic Product Plant (part of the Labor Services Company)

Supplies tubes and tube molds to IRICO Color Tubes exclusively and makes a profit of 800,000 annually. There are currently about 80 fixed employees.

28. Purification Equipment Plant (part of the Labor Services Company)

Provides air purification for IRICO Glass; the company is starting to lose money in recent years due to a price decline and high labor costs. The company loses about 50,000 yuan every year on average. There are currently about 30 fixed employees.

29. Plant 818 (also known as the glass recycling plant; managed under the Labor Services Company)

Its main business is to recycle and reuse glass from IRICO Glass. In recent years, the efficiency of the plant has declined in recent years due to an improved yield of IRICO glass. It made a profit of around 200,000 yuan last year. There are currently about 80 fixed employees.

30. Bubble Bracket Plant (part of the Labor Services Company)

Produces bubble brackets for IRICO and makes an annual profit of 200,000 to 300,000 yuan. There are currently about 50 fixed employees.

31. Polishing Plant (part of the Labor Services Company)

Provides glass polishing services to IRICO Glass branch Plant and makes an annual profit of several thousand to several tens of thousands of yuan. There are currently 10 fixed employees.

V. Functional departments that can be outsourced

32. IRICO Materials Company

This company is actually the materials procurement department of the Group Corporation. Managed by Group's company department, it mainly procures structural materials and auxiliary materials that are required for production from enterprises in Xianyang for the Group Corporation, and is responsible for recycling waste materials on the production line. It has 200 fixed employees and 140 or so short-term contract workers. Its employed assets and finances are both directly managed by the Group Corporation.

33. IRICO Sales Company

This company was originally IRICO CRT Main Plant Sales Company, and was later changed to IRICO Group Corporation Sales Company. It is managed by the Group's Company Department, and is only a joint-stock company sales company in name. Its main function is overall responsibility for the internal sales of the head plant and the joint-stock company. There are 67 fixed employees and all are on duty. Its employed assets and finances are both directly managed by the Group Corporation.

34. China National Electronics Import & Export Caihong Company (one of four restructuring pilot units)

Currently the company does business as China National Electronics Import and Export Co; actual assets, personnel, and business all belong to IRICO Group Corporation. It actually serves as IRICO Group Corporation's import and export business management department.

V. Wholly owned and controlled companies established by IRICO Group Corporation that have little relevance to the principal business

- 35. Shaanxi IRICO Construction Engineering Company (one of four restructuring pilot units)
- 36. Shenzhen Hongyang Industry and Trade Company

At present, the company mainly operates: phosphor sales and property leasing.

As at 2002 December 31, the total assets were 244,022,127.08 yuan, total liabilities were 15,467,162.26 and owners' equity was 228,554,964.82.

- 37. China Electronic Device Industry (one of four restructuring pilot units)
- 38. IRICO Hongyou Transportation Company

As of the end of June 2003, the company's net value of fixed assets was 25,877.84. There are currently 23 workers, all of which are fixed employees of IRICO. 15 of them are paid wages for their post while the others are paid living expenses of 500 yuan every month.

39. Xi'an IRICO Electric Industrial (closed)

As of 2002 December 31, the total assets were 77,999,911.54, total liabilities were 100,117,247.22 and owners' equity was -22,117,335.68.

40. IRICO Haikou Hot Spring Hotel (closed)

IRICO Haikou Hot Spring Hotel is a wholly owned subsidiary of IRICO Group Corporation. Due to its suspension of business in 2002, there is no product sales revenue or product sales cost. The administrative expenses are 2.6497 million yuan and the loss made was 2.3347 million yuan.

As of 2002 December 31, the total assets were 79,995,391.52, total liabilities were 1,135,456.44 and owners' equity was 78,859,935.08 yuan.